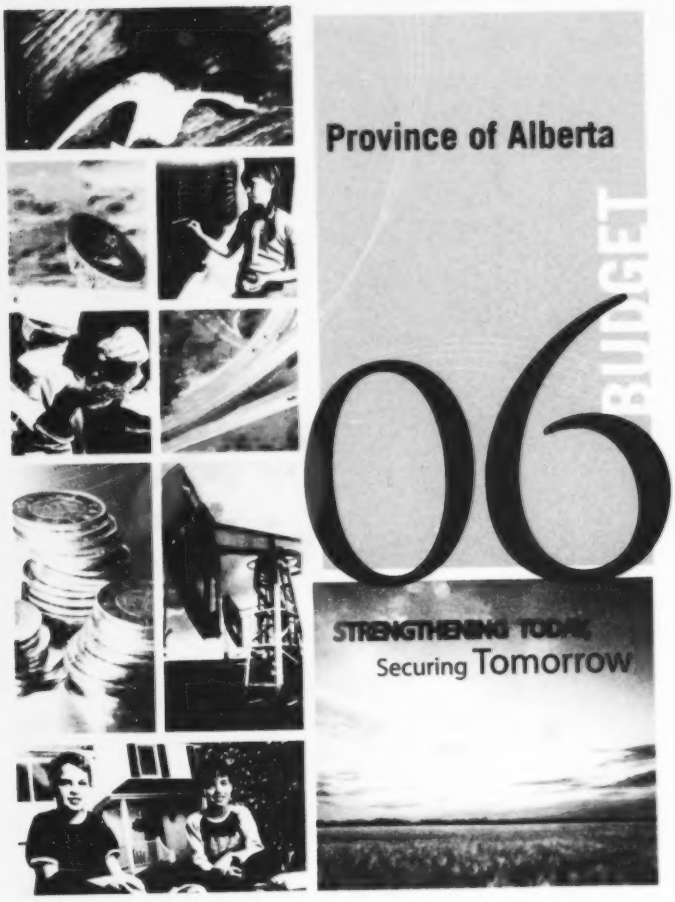

Fiscal Plan

Alberta

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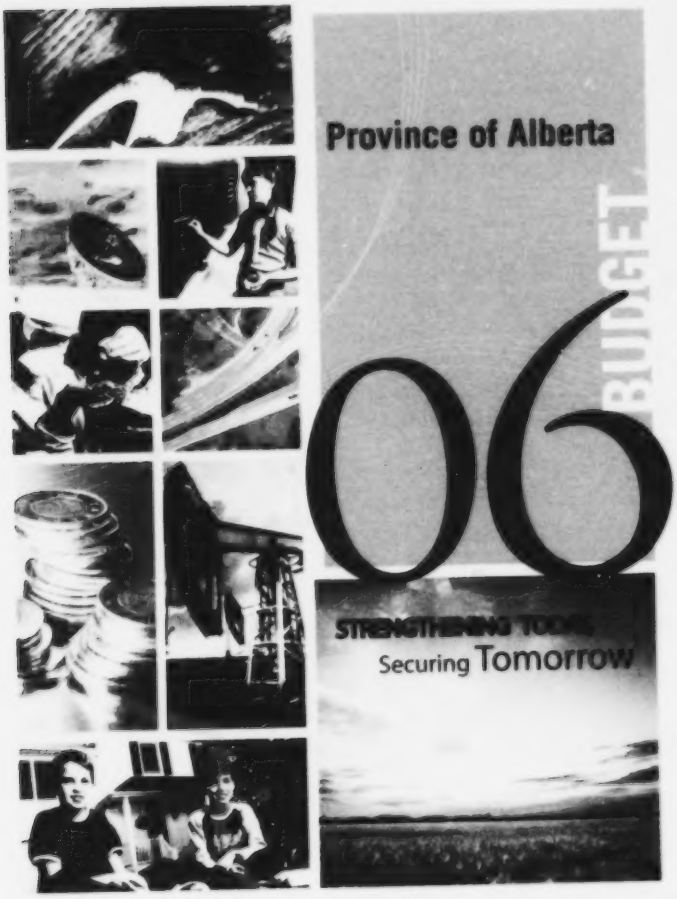

Fiscal Plan

PRESENTED BY
SHIRLEY McCLELLAN
MINISTER OF FINANCE
in the Legislative Assembly of Alberta
March 22, 2006

Table of Contents

Highlights 1

2006-09 Fiscal Plan 5

2006-09 Capital Plan 67

Economic Outlook 81

Alberta Advantage 109

Alberta Tax Advantage 131

Response to the Auditor General 145

Index of Charts and Tables 159

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HIGHLIGHTS

HIGHLIGHTS

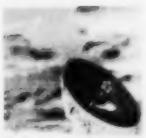
Strengthening Today, Securing Tomorrow

2006-09 FISCAL PLAN

- *Budget 2006* is Alberta's 13th consecutive balanced budget. It is based on continued strong economic growth in the province.
- The budget invests in the areas important to Albertans – including infrastructure, education, health, environment and social programs.
- It also positions Alberta's economy to take advantage of future opportunities with support for research and innovation, the rural economy and reductions in taxes.

FISCAL AND ECONOMIC OVERVIEW

MAJOR ASSUMPTIONS



- Economic growth is forecast at 4.8 per cent for 2006 and 3.5 per cent for the next two years.
- Energy prices are very uncertain. A survey of energy forecasters suggests there could be a $6 billion range in resource revenue between high and low price scenarios.
- In 2006-07, oil prices are assumed to average US$50.00 per barrel and natural gas prices to average Cdn$7.50 per gigajoule.
- By 2008-09, the budget assumes oil prices will decline to US$42.50 and natural gas prices to Cdn$6.25. This is in line with the average prices of other energy forecasters.

Fiscal Year Assumptions	2005-06	2006-07	2007-08	2008-09
Oil Price (WTI US$/bbl)	60.00	50.00	45.00	42.50
Natural Gas Price (Cdn$/GJ)	8.40	7.50	6.50	6.25
Exchange Rate (US¢/Cdn$)	84.0	85.8	85.0	85.0

FISCAL SUMMARY – 2006-07

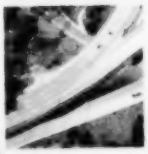
- **Revenue** is estimated at $32.4 billion and **expense** at $28.3 billion.
- **Surplus** is estimated at $4.1 billion and has been allocated to:
  - **Savings and Endowments** – $1.9 billion, including the Heritage Fund, the new Alberta Cancer Prevention Legacy Fund and the Medical Research Endowment Fund.
  - **Capital Investment** – $813 million is required for government-owned capital projects.
  - **Sustainability Fund** – $325 million is added to the Fund.
  - **Contingency Allowance** – $300 million is available for in-year initiatives.
  - **Other requirements** – $746 million required for retained income of funds/agencies and cash adjustments.
- **Sustainability Fund** is forecast at $4.4 billion, $1.9 billion higher than the minimum target level. This provides additional protection against an unexpected decline in resource revenue. Funds may become available for other uses as a clearer picture of energy prices emerges.

Fiscal Summary (millions of dollars)	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Revenue	34,601	32,408	31,119	30,510
Expense	27,226	28,312	29,404	30,141
Net Revenue (surplus)	**7,375**	**4,096**	**1,715**	**369**

OPERATING SPENDING INITIATIVES – 2006-07

- In 2006-07, base operating spending will increase by 8.3 per cent, or $1.9 billion, from the 2005-06 forecast. In the following two years, the increase is about 3 per cent a year. The increase in total expense in 2006-07 is only about 4 per cent because of expected lower spending on emergencies/disasters and natural gas rebates.
- **Advanced Education** will receive an additional $265 million, a 16 per cent increase. The government will continue to pay tuition increases this September.
- **Education** will receive an additional $231 million, a 5.1 per cent increase. This includes higher operating grants to school boards and support for the Class Size Initiative.
- **Health and Wellness** will receive an additional $668 million, a 7.5 per cent increase. This includes funding for wait times, continuing care and support for cancer research.
- **Seniors and Community Supports** will receive an additional $141 million, a 9 per cent increase. This includes increased support for continuing care and an increase to the AISH monthly allowance.

- **Children's Services** will receive an additional $99 million, a 12.1 per cent increase. This includes funding for Alberta's new five-point child care plan announced in October 2005.
- **Justice, and Solicitor General and Public Security** will receive an additional $72 million, a 9.9 per cent increase. This includes additional funding for policing and prosecution services.



- **Other Initiatives** include $100 million for an initiative to support rural development and funding for research and innovation, environment and economic initiatives.

INFRASTRUCTURE – 2006-09 CAPITAL PLAN

- The *2006-09 Capital Plan* will directly support $13.3 billion in capital projects. This is an increase of $4.1 billion, or 45 per cent, over the previous Capital Plan. This includes:
  - $4.9 billion for health, post-secondary and school capital, an increase of 75 per cent.
  - $3.6 billion for the provincial highway network, an increase of 83 per cent.
  - $3.1 billion for municipal infrastructure.
  - $1.7 billion for other projects, including community facilities, and water and wastewater infrastructure.

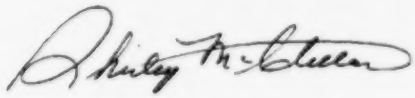
TAXES AND PREMIUMS

- Albertans pay, by far, the lowest overall taxes in Canada. If we had the same tax system as any other province, Albertans and Alberta businesses would pay at least $2,200 more per capita. Taxes are being reduced again in 2006.
  - **Basic, spousal and eligible dependant tax credit** amounts are being increased to $14,899, the highest of any province, saving Albertans about $77 million.
  - **Health care insurance premiums subsidy thresholds** are being raised by $5,000. For example, a family with children will pay no premiums if their taxable income is less than $32,210. About 140,000 Albertans will benefit from the threshold changes, saving them about $30 million in 2006-07.
  - The **general corporate income tax rate** will be reduced from 11.5 per cent to 10 per cent, saving Alberta businesses $265 million in 2006-07.
  - In 2006, **school property tax mill rates** are being reduced by over 7 per cent.

Accountability Statement

The government's Fiscal Plan for the three years commencing April 1, 2006 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 8, 2006 with material economic or fiscal implications have been considered in preparing the three-year Fiscal Plan.

The government is committed to achieving the planned results laid out in the Fiscal Plan, which includes the government's Business Plan and Capital Plan.



Shirley McClellan
Minister of Finance
March 10, 2006

2006-09 FISCAL PLAN

2006-09 FISCAL PLAN

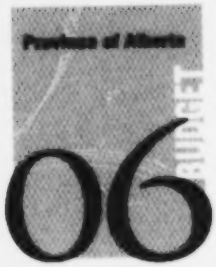
STRENGTHENING TODAY,
Securing Tomorrow

Table of Contents

Strengthening Today, Securing Tomorrow 7
Investments in Alberta's Future 12
Economic and Revenue Outlook 32

LIST OF FISCAL PLAN TABLES AND CHARTS

Fiscal Summary 42
Allocation of Surpluses 42
Balance Sheet Summary 43
Estimate of Assets, Liabilities and Net Assets 43
Revenue 44
2006-07 Revenue 45
Expense by Ministry 46
Expense by Function 46
2006-07 Expense by Ministry 47
2006-07 Expense by Function 47
2006-07 Expense by Function Details 48
2006-07 Expense by Object 49
Capital Plan 50
2006-09 Capital Plan 50
Capital Plan Funding Details 51
Capital Account 51
Capital Investment in Government-Owned Capital 52
Grants to Local Authorities for Capital Purposes and Other Capital Support 52
Capital Amortization for Government-Owned Capital 53
Comparison of the Capital Plan and Capital Expense 53
Sustainability Fund Details 54
Cash Adjustments 54
Retained Income of Funds and Agencies 55
Capital Investment Cash Requirements 55
Balance Sheet Details 56
Accumulated Debt 57
Capital Assets 57
Pension Obligations 57
Debt Servicing Costs 58
General Revenue Fund Term Debt Maturities 58
Net Financing Requirements 58
Loans and Advances 59
Guarantees 59
2006-07 Allocation of Lottery Fund Revenue 60
Full-Time Equivalent Employment 61
Premiums, Fees and Licences Changes 62
Major Provincial Tax Rates, 2006 63
Key Energy and Economic Assumptions 64
Sensitivities to Fiscal Year Assumptions, 2006-07 64
Historical Fiscal Summary, 1987-88 to 2008-09 65



Strengthening Today, Securing Tomorrow

"This is the first budget of Alberta's second century. We start with a strong economy, no debt and confidence in our abilities."

Shirley McClellan
Minister of Finance

Alberta is in an enviable position. A strong economy. Debt eliminated. And the fiscal flexibility to strengthen current advantages and help build new opportunities.

Alberta also faces challenges. Highly unpredictable resource revenue. Pressures from a growing economy and population. Rising expectations concerning what is affordable and sustainable.

Budget 2006 is focused on strengthening today and securing tomorrow. It balances current and longer-term requirements within a positive but uncertain revenue outlook. The budget addresses infrastructure requirements, improves the quality of services provided to Albertans, lowers taxes and increases savings.

This is being done while maintaining the commitment to a fiscally sound and sustainable outlook. Budgets will be balanced. Tax and spending plans will be affordable not only today, but also over the longer term.

BUDGET PRIORITIES

Budget 2006 is based on 2006-07 oil prices averaging US$50.00 a barrel and natural gas prices averaging Cdn$7.50 per gigajoule (GJ). The economy is expected to grow by 4.8 per cent in 2006 and by about 3.5 per cent in the following two years.

Budget 2006 addresses infrastructure needs, improves programs, reduces taxes and increases savings.

This strength will allow the government to move more aggressively than previously planned in areas important to Albertans:

- **Infrastructure Requirements** – $13.3 billion will be provided over the next three years to address Alberta's infrastructure requirements, a 45 per cent increase from the Capital Plan in *Budget 2005*.
- **Program Initiatives** – Additional funding will be provided to address initiatives critical to Albertans' immediate and longer-term needs, with a strong focus on advanced education, health and the future economy.
- **Taxes** – Taxes will be reduced for individuals and businesses.
- **Savings** – Over the next three years, a total of $2.7 billion will be provided to increase the assets of the Heritage Fund and the Medical Research Endowment Fund and to establish the Alberta Cancer Prevention Legacy Fund.

FISCAL SUMMARY

This is Alberta's 13th consecutive balanced budget.

Budget 2006 is Alberta's thirteenth consecutive balanced budget. The budget will be balanced in each of the next three years. The *Fiscal Plan* is based on a realistic assessment of the outlook for energy prices. It also provides some protection against an unexpected decline in energy revenue.

The budget assumes oil prices at US$50.00 per barrel in 2006-07, declining to US$42.50 by 2008-09. Natural gas prices are forecast at Cdn$7.50 per GJ in 2006-07, declining to Cdn$6.25 by 2008-09.

2006-07 surplus is estimated at $4.1 billion. Surplus is allocated to savings, capital investment and other requirements.

A surplus of $4.1 billion is estimated for 2006-07. This surplus has been allocated to:

- **Savings** – $1.9 billion to increase the size of the Heritage Fund, the Medical Research Endowment Fund, the Scholarship Fund, and to establish the new Alberta Cancer Prevention Legacy Fund.
- **Capital Investment** – $813 million is required to pay for capital investment in government-owned projects.
- **Contingency Allowance** – $300 million has been set aside and can be used to respond to unforeseen issues that arise during the year.
- **Sustainability Fund** – $325 million will be added to the Sustainability Fund. This will bring the Fund to $4.4 billion, $1.9 billion higher than the $2.5 billion minimum target level. This provides some additional protection against a sudden decline in energy prices. These funds may become available for other uses, over the three years, as a clearer picture of energy prices emerges.
- **Other Requirements** – $282 million will be retained by funds and agencies, primarily Alberta Treasury Branches. There is also a negative cash adjustment of $464 million, primarily related to the difference between the accrual of energy royalites and when cash is received.

A further $759 million will be allocated to the Heritage Fund and Medical Research Endowment Fund in 2007-09.

In 2007-08 and 2008-09, smaller surpluses are forecast as a result of assumed lower energy prices. The Heritage Fund will continue to be inflation-proofed every year as required by legislation and in 2007-08 a further $150 million will be added to the Medical Research Endowment Fund.

Fiscal Summary[a]
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Revenue	34,601	32,408	31,119	30,510
Expense				
Program	26,966	28,067	29,161	29,903
Debt servicing costs	260	245	243	238
Total Expense	27,226	28,312	29,404	30,141
Net Revenue (surplus)	**7,375**	**4,096**	**1,715**	**369**
Transfer from Capital Account	1,795	1,896	2,451	2,587
Net Transfer from (to) Sustainability Fund	(9,170)	(5,692)	(3,866)	(2,656)
Contingency Allowance	**–**	**300**	**300**	**300**

[a] Subject to the *Fiscal Responsibility Act*. Excludes the change in pension obligations.

FISCAL FRAMEWORK

A legislated fiscal framework has been established to help ensure fiscal responsibility and accountability to Albertans. The framework addresses two fundamental issues:

- Budgets need to be affordable and sustainable both over the short and long term. For this reason, three-year fiscal plans are required, deficits are outlawed, and borrowing for operating purposes is forbidden.
- Resource revenue will continue to be highly variable and unpredictable. For this reason, a legislated limit on the amount of resource revenue that can be used for budget purposes has been set. The Sustainability Fund has also been established to protect operating and capital spending plans from revenue volatility.

No deficits. No borrowing for operating purposes allowed.

The major elements of the fiscal framework will remain unchanged in 2006-07. However, the *Fiscal Responsibility Act* will be amended to increase the limit on the use of non-renewable resource revenue for budget purposes. It will be raised from $4.75 billion to $5.3 billion. As currently allowed under the Act, an average of over $2 billion a year in non-renewable resource revenue will also be allocated to the Capital Account to fund capital projects in each of the next three years.

Fiscal Responsibility Act will be amended to raise the resource revenue limit to $5.3 billion.

The government will review its fiscal framework in 2006-07, to ensure it still meets the longer-term requirements of Albertans.

Fiscal Responsibility Act

Deficits Outlawed: *Deficits are against the law. However, funding from the Sustainability Fund can be used to offset the cost of disasters/emergencies and the Capital Account can be used to pay for capital spending.*

Non-Renewable Resource Revenue Limit: *The amount of resource revenue that can be used for budget purposes is increased from $4.75 billion to $5.3 billion. Revenue above this amount is deposited into the Sustainability Fund.*

Sustainability Fund: *The Fund can be used to offset the costs of emergencies, disasters, natural gas rebates, settlements with First Nations and unexpected declines in budget revenue. If the Fund has assets greater than $2.5 billion, funds can be allocated to the Capital Account, Heritage Fund, endowments and other balance sheet improvements.*

Capital Framework: *Capital projects can be funded from current-year revenue, the Capital Account or be alternatively financed. The Capital Account allows surplus revenue to be carried forward from one year to another to pay for capital projects.*

Contingency Allowance: *A minimum of 1 per cent of revenue for fiscal policy purposes must be set aside as a contingency. This is the limit on in-year operating spending increases or revenue reductions not funded from the Sustainability Fund.*

Limitations on Future Debt: *No borrowing permitted to increase operating spending. Borrowing for capital purposes is allowed, as is borrowing required by self-supporting corporations such as the Agriculture Financial Services Corporation and the Alberta Capital Finance Authority.*

STRENGTHENING ALBERTA'S FINANCIAL POSITION

Since the early 1990s, the government has taken concrete steps to strengthen Alberta's financial position. This has included eliminating deficits, repaying debt and setting aside assets for the future use of Albertans. These steps have met with unparalleled success.

Alberta's net financial position has improved by $38 billion since 1994-95. This includes the elimination of $23 billion of accumulated debt.

The net financial position of the Province has improved by about $38 billion from 1994-95 – the year the Province's deficit was eliminated – to 2006-07. This has given Alberta a level of financial strength unmatched in the rest of Canada and a strong foundation for Alberta's second century.

Alberta's success has been based on making hard decisions when needed and on the foresight to use energy revenue for both shorter-term improvements and building longer-term advantages.

USE OF NON-RENEWABLE RESOURCE REVENUE

The improvement in Alberta's financial situation is due to a number of factors, but primarily reflects the limitations placed on the use of surpluses and non-renewable resource revenue, and controls on spending. While it is not possible to track individually every dollar and determine whether it was used to support programs, pay back debt, or increase savings, it is clear that resource revenue made a major contribution in improving the Province's net worth.

Equivalent of 40 per cent of resource revenue has been directed to reducing debt and increasing savings.

From 1994-95 to 2006-07, the government will have received $88 billion in non-renewable resource revenue. Over this time period, the net financial assets of the Province increased by about $38 billion because of debt elimination and increased savings. In other words, the equivalent of about 40 per cent of non-renewable resource revenue received has been directed to reducing debt and increasing savings.

Debt Repayment. From 1994-95 to 2004-05, the equivalent of $22.7 billion of resource revenue was used to eliminate debt incurred over the previous decade, saving $1.5 billion in annual debt servicing costs.

Savings and Endowments. The equivalent of $15 billion of resource revenue has been allocated to increasing financial assets since 1994-95:

- Heritage Fund – $2.6 billion over the two years 2005-06 and 2006-07, and $431 million for inflation-proofing in the late 1990s.
- Endowments – $2.5 billion provided to existing and new endowments:
  - Advanced education (within the Heritage Fund) – $750 million,
  - Science and Engineering Research Endowment Fund – $600 million,
  - Alberta Cancer Prevention Legacy Fund – $500 million,
  - Medical Research Endowment Fund – $350 million (additional $150 million committed in 2007-08), and
  - Scholarship Fund – $270 million.
- Sustainability Fund – $4.4 billion in assets at March 31, 2007. The Fund protects against the cost of emergencies/disasters and unexpected revenue declines and pays for natural gas rebates. Funds may be reallocated for other uses as a clearer picture of energy prices emerges.

- Capital Account – $4.2 billion at March 31, 2007. The Capital Account is used to fund capital spending in current and future years. It is expected to be drawn down to $2.3 billion by March 31, 2009.
- Other net improvements – There are improvements in other balance sheet items, including Alberta Treasury Branches' financial position.

Since 2000, Albertans have received $4.5 billion in energy related rebates.

Rebates. About $4.5 billion, or 5 per cent, of non-renewable resource revenue also has been returned to Albertans through natural gas rebates to help offset high winter heating costs, and direct tax rebates, including:

- Natural gas rebates – $2.5 billion over the period 2000 to 2007.
- Alberta 2005 Resource Rebate – $1.3 billion.
- 2001-02 Alberta Energy Tax Refunds – $0.7 billion.

$26 BILLION IN SAVINGS ACCOUNTS AT MARCH 31, 2007

ALBERTA HERITAGE SAVINGS TRUST FUND – $14.7 BILLION

In 2006-07, an additional $1 billion is being deposited in the Heritage Fund. This is on top of the $1 billion deposited in 2005-06 and inflation-proofing in these years.

- Established in 1976. Transfers to the Fund reached $12 billion by 1986.
- From 1986 to 1994, the Province had deficits. During this period, and for the following 10 years as this debt was repaid (1994-95 to 2004-05), automatic transfers to the Fund were stopped. All income earned was used to support services to Albertans.
- Starting in 2005-06, with the elimination of accumulated debt, the Fund is being inflation-proofed every year.
- There are additional deposits of $1 billion in 2005-06 and $1 billion in 2006-07.
- **Advanced education endowment** (held within the Heritage Fund) – Established in 2005-06 with a $0.75 billion deposit.

ENDOWMENT FUNDS – $3 BILLION

$150 million will be added to the Medical Research Endowment Fund in both 2006-07 and 2007-08.

A new $500 million cancer fund established in 2006-07.

- **Medical Research Endowment Fund** – Established in 1980. $1.3 billion at March 31, 2007. $150 million also to be added in 2007-08.
- **Scholarship Fund** – Established in 1981. $0.5 billion at March 31, 2007.
- **Science and Engineering Research Endowment Fund** – Established in 2000. $0.7 billion at March 31, 2007.
- **Alberta Cancer Prevention Legacy Fund** – To be established in 2006 with a $0.5 billion deposit.

SHORTER-TERM SAVINGS ACCOUNTS – $8.6 BILLION

- **Sustainability Fund** – Established in 2003 to protect spending plans from the cost of emergencies/disasters and unexpected declines in revenue. $4.4 billion at March 31, 2007.
- **Capital Account** – Established in 2003 to provide funding for infrastructure. $4.2 billion at March 31, 2007. Expected to decline to $2.3 billion by March 31, 2009 as assets are withdrawn to help pay for capital projects.

Investments in Alberta's Future

Securing tomorrow's prosperity requires more than a strong financial foundation. It also requires investments and actions in areas critical to the province's future. *Budget 2006* makes the necessary investments. Services to Albertans will be improved. Infrastructure requirements will be addressed. Alberta's tax advantage will be strengthened.

Health and education account for nearly two-thirds of program spending.

SERVICES TO ALBERTANS

- **Health** continues to account for the largest share of total program spending at 37 per cent. Funding for the public health system is being increased and improvements are being made to continuing care.
- **Education**, including basic and advanced education, will account for 27 per cent of total program spending. The accessibility, quality and affordability of post-secondary education are being improved and continuing support is being provided to meet class size requirements.
- **Alberta's Economy and Environment** – Initiatives are being taken to support rural development, encourage research and innovation and protect the environment.
- **Other Initiatives** – Services for children are being strengthened. Benefits have been increased for AISH recipients. Albertans will continue to receive natural gas rebates. Additional funding is being provided for policing and access to the justice system.

Base operating spending in 2006-07 increases by 8.3 per cent.

In 2006-07, base operating spending is increasing by 8.3 per cent, or $1.9 billion, from the 2005-06 forecast. This excludes funding for emergencies/disasters, natural gas rebates and capital-related expenses in both years. The increase in program expense is only 4.1 per cent due to lower budgeted spending on natural gas rebates and emergencies/disasters.

$28 billion is being spent on Albertans' program priorities.

Expense

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target	3-year Change
Base operating expense	22,601	24,468	25,161	26,010	3,409
Emergencies/disasters	452	–	–	–	(452)
Natural gas rebates	726	362	282	282	(444)
Capital grants [a]	2,668	2,662	3,114	3,004	336
Amortization [b]	519	575	604	607	88
Total Program Expense	**26,966**	**28,067**	**29,161**	**29,903**	**2,937**
Debt servicing costs	260	245	243	238	(22)
Total Expense	**27,226**	**28,312**	**29,404**	**30,141**	**2,915**
Percentage increase [c]					
Base operating expense		8.3	2.8	3.4	15.1
Total program expense		4.1	3.9	2.5	10.9
Capital Investment [d]	1,088	1,519	1,199	1,824	736

a Includes capital grants to local authorities and highway planning and rehabilitation costs. Does not include capital investment in government-owned capital assets.
b Includes amortization, consumption of inventories and nominal sum disposals.
c 2006-07 percentage increase is from 2005-06 forecast.
d Capital investment on government-owned projects is not reported in expense.

INFRASTRUCTURE – 2006-09 CAPITAL PLAN

The 2006-09 Capital Plan will support $13.3 billion in capital projects, a 45 per cent increase over the Budget 2005 Capital Plan.

Infrastructure requirements will be addressed at a level unmatched in the rest of the country. The *2006-09 Capital Plan* will directly support $13.3 billion in capital projects. This is a 45 per cent, or $4.1 billion, increase from the *2005-08 Capital Plan* published in *Budget 2005*.

Last year, a major increase was provided for municipal infrastructure, including a five-year, $3 billion Municipal Infrastructure Program. In *Budget 2006*, major increases have been provided for:

- **Health, schools and post-secondary facilities.** The three-year commitment will increase from $2.8 billion to $4.9 billion.
- **Provincial Highway Network.** The three-year commitment will increase from $2 billion to $3.6 billion. This will provide for continued investment in strategic economic corridors and ongoing construction and rehabilitation throughout Alberta.

2006-09 Capital Plan

2006-07	*$4.2 billion*
2007-08	*$4.3 billion*
2008-09	*$4.8 billion*
Total	*$13.3 billion*

Comparison of 2005-08 and 2006-09 Capital Plans

(millions of dollars)

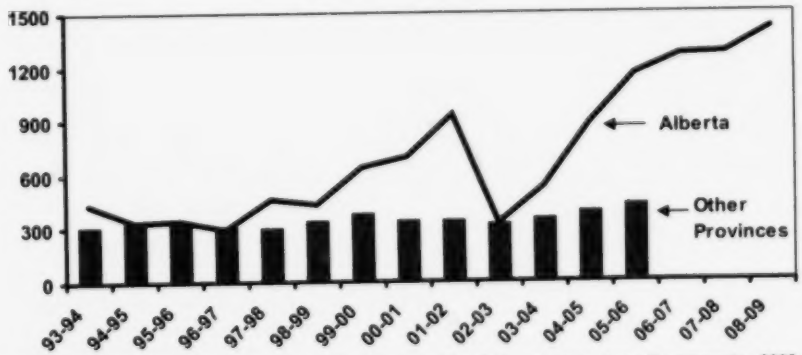
	2005-08 *Budget 2005*	2006-09 *Budget 2006*	Change
Health, schools, post-secondary facilities	2,788	4,865	2,077
Provincial highway network	1,985	3,637	1,652
Municipal infrastructure support	3,035	3,127	92
Other	1,411	1,693	282
Total Capital Plan	**9,219**	**13,322**	**4,103**

Alberta's per capita spending on infrastructure is over three times the average of other provinces. In 2006-07, Alberta is spending $4.2 billion on capital projects or about $1,300 per person. The average spending on infrastructure in other provinces has been about $400 per person.

Alberta's per capita spending on infrastructure is three times the average of other provinces.

Interprovincial Comparison of Capital Expenditure

(dollars per capita)



Source: Dominion Bond Rating Service Limited, *The Canadian Federal and Provincial Governments - 2005 Overview*, September 2005, and earlier reports. Alberta data for 2004-09 has been updated by Alberta Finance.

ALBERTA TAX ADVANTAGE

If Alberta had the same tax system as any other province, Albertans and Alberta businesses would pay at least $7.2 billion more each year.

Albertans and Alberta businesses pay, by far, the lowest overall taxes in Canada. If Alberta had the same tax system as any other province, Albertans and Alberta businesses would pay at least $7.2 billion more in taxes each year, the equivalent of about $2,200 per capita.

In 2005, the government undertook an internal review of the Province's tax system. The review confirmed that Alberta has a fair and competitive tax system.

The tax review identified priorities for future tax cuts. On the personal side, the focus should be on providing tax relief that is directed primarily towards lower and middle-income Albertans. On the business side, the top priority should be to reduce the general corporate income tax rate. *Budget 2006* will act on these priorities.

PERSONAL TAX REDUCTIONS AND HEALTH CARE INSURANCE PREMIUMS

From 1999 to 2001, the government phased in over $1.5 billion in personal income tax cuts, including implementing a single rate tax and the highest basic and spousal amounts in Canada.

In 2001, indexing of credit amounts started, which has protected taxpayers from the effects of inflation and kept over 140,000 lower-income Albertans off the tax rolls.

In 2004, seniors were exempted from paying health care insurance premiums and, starting in 2005, senior homeowners were protected from increases to school property taxes.

Also in 2005, the Alberta Family Employment Tax Credit was enhanced, providing more benefits to lower-income working families.

In *Budget 2006*, the following tax and premium changes are being made:

Budget 2006 increases basic and spousal tax credits.

- **Basic, spousal and eligible dependant tax credits** – Amounts are being increased from $14,523 to $14,899 for the 2006 tax year as a result of indexation plus an extra $100 adjustment. These changes, and the indexation of other credit amounts, are expected to save Albertans about $77 million in the 2006 tax year. The indexation of the Alberta Family Employment Tax Credit will also begin in July 2006. With these enhancements, a typical working family with two children can effectively earn up to $37,000 before paying provincial income taxes.

Budget 2006 enhances subsidies for health care insurance premiums, helping 140,000 Albertans.

- **Enhanced subsidies for health care insurance premiums** – The income thresholds at which low-income families and individuals begin to pay partial premiums are being raised by $5,000, effective April 1, 2006. For example, a family with children will pay no health care insurance premiums if their taxable income is less than $32,210 and will pay only partial premiums until their taxable income exceeds $39,250. The increase to the thresholds will benefit approximately 140,000 people and save them about $30 million in 2006-07.

BUSINESS TAX REDUCTIONS

The 2005 tax review confirmed that Alberta's business tax system is highly competitive within Canada, with low rates for large and small businesses. However, the review also noted that there are emerging competitive pressures from jurisdictions outside of Canada.

Alberta's general corporate income tax rate is being reduced to 10 per cent, setting the foundation for future economic growth.

Based on the tax review findings, the general corporate income tax rate is being reduced from 11.5 per cent to 10 per cent effective April 1, 2006. This is estimated to save Alberta businesses $265 million in 2006-07.

The lower corporate income tax rate positions Alberta to meet worldwide competition and sets a strong foundation for tomorrow's economic growth and job creation.

SCHOOL PROPERTY TAX MILL RATE REDUCTIONS

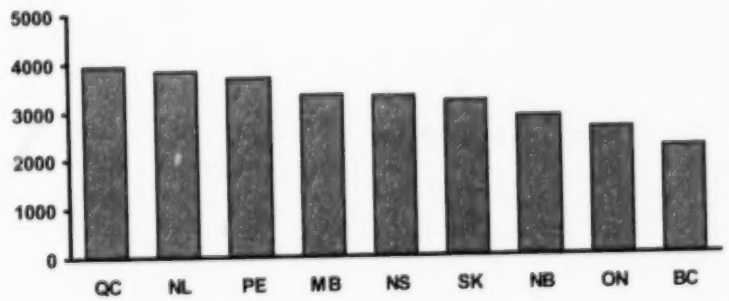
Since 1994, equalized school property tax mill rates have been reduced by over one-third.

In every year since 1994, mill rates have been either reduced or frozen. In 2006, school property tax mill rates are being reduced by over 7 per cent. Even though rates are being reduced, revenue will increase 1.7 per cent as a result of the many new homes and businesses that have been built over the last year.

School property tax assistance will be provided to eligible senior homeowners. This assistance has protected senior homeowners from any increases in school property taxes since 2004, or from when they moved into their home or became a senior, if subsequent to January 1, 2005.

Alberta Tax Advantage

(dollars per capita)



This graph shows, on a per capita basis, the total additional provincial taxes, health care insurance premiums and liquor markups that individuals and businesses would pay if Alberta had the same tax systems as other provinces.

See Tax Advantage chapter for more details.

ADVANCED EDUCATION

Strengthening the advanced education system is one of the government's top priorities. Over the next three years, the Ministry of Advanced Education will provide:

- An additional $474 million, or nearly a 29 per cent increase, for post-secondary education. This includes maintaining tuition fees at 2004-05 levels in 2006-07.
- $1.1 billion in capital support for post-secondary facilities.

Advanced Education operating spending increases by 16 per cent in 2006-07.

In 2006-07, program expense reaches nearly $2.2 billion, a 19.1 per cent increase from 2005-06. This includes $1.9 billion in operating support for the post-secondary system, an increase of $265 million or 16 per cent. In addition, $273 million in capital grants is provided from the Ministry to post-secondary institutions in 2006-07.

QUALITY AND ACCESSIBILITY – POST-SECONDARY INSTITUTIONS

Support to Post-Secondary Institutions. In 2006-07, support is increasing by $166 million, or 11.6 per cent, to almost $1.6 billion. By 2008-09, funding will have increased by $380 million, or 26.6 per cent, to over $1.8 billion. Major increases in 2006-07 include:

Additional funding is being provided to address enrolment growth and expand apprenticeship training.

- $61 million for base operating grants. Grants will increase by 6 per cent per year for the next three years, providing for inflationary pressures including staff salary settlements and higher facility operating costs.
- $61 million for the Enrolment Planning Envelope, an increase of 50 per cent, to address enrolment growth, expand apprenticeship training capacity and encourage increased participation in learning opportunities.
- $44 million to pay tuition increases at public post-secondary institutions in September. A total of $87 million is being provided in 2006-07 to offset the tuition fee increases in 2005-06 and 2006-07.

Increasing Access. In total, 15,000 new learning opportunities will have been provided by 2007-08, and 20,000 by 2008-09. That includes almost 12,000 full-load equivalent student spaces added by 2008-09 in universities, colleges, technical institutes and apprenticeship programs. New opportunities will also be extended beyond the traditional classroom to include expanded access closer to the learner.

In 2006-07, the Access to the Future Fund is providing $45 million for post-secondary initiatives.

Access to the Future Fund. $750 million was allocated to an advanced education endowment in the Heritage Fund during 2005-06. In 2006-07, as a result of income earned on the endowment, $45 million is available to the Access to the Future Fund. This includes $11 million earned in 2005-06.

The Access to the Future Fund will be used to enhance the capacity of the post-secondary system through matching grants, and to support initiatives to broaden access, improve quality, enhance learning outcomes, attract and retain the best minds and talents, and expand innovation capacity.

AFFORDABILITY – STUDENT ASSISTANCE

The government will continue to pay, in 2006-07, the bill for tuition increases.

Tuition. This September, the government will pay tuition increases at public post-secondary institutions, as was done in September 2005. A review of the affordability of advanced education is taking place. Based on this review, a new tuition policy will be announced by the fall of 2006.

Student Assistance. Funding for scholarships, bursaries and grants to students increases by $14.9 million, or 21.5 per cent, to $84 million in 2006-07. About 32,000 students will receive scholarships.

In 2006-07, $20 million is being added to the Scholarship Fund to support the new Alberta Centennial Scholarship Program. The program will provide 325 annual scholarships worth $2,005 each to 25 post-secondary students in every province and territory, including Alberta.

Alberta expects to disburse $97 million in student loans in 2006-07, up $13 million or 15 per cent from 2005-06. To recognize increased student living costs, yearly loan limits are increasing to $12,440 from $12,140. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment will reduce the debt of students in their first and final years of study. Alberta continues to have the most generous student debt relief programs in the country.

In 2006-07, eligibility for the $100 matching grants to Registered Education Savings Plans under the Alberta Centennial Education Savings Plan is being expanded to include all children aged 8, 11 and 14.

CAPITAL SUPPORT FOR POST-SECONDARY FACILITIES

$1.1 billion for post-secondary capital over the three years.

Over $1.1 billion in funding for post-secondary capital projects will be supported over the next three years. This is an increase of about $650 million over the 2005-08 plan published in *Budget 2005*.

Projects include a new Centennial Centre for Interdisciplinary Science at the University of Alberta, the Campus Calgary Digital Library at the University of Calgary, and the second phase of redevelopment at Bow Valley College.

Ministry of Advanced Education

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating Expense				
Support to post-secondary institutions	1,431	1,597	1,722	1,811
Access to the Future Fund	—	45	34	35
Student assistance	144	196	199	199
Program delivery/support services	80	82	83	84
Total Operating Expense	**1,655**	**1,920**	**2,038**	**2,129**
Capital grants [a]	185	273	455	381
Amortization	5	5	5	5
Total Program Expense	**1,845**	**2,198**	**2,498**	**2,515**
Operating expense increase (%)		16.0	6.1	4.5
Program expense increase (%)		19.1	13.6	0.7

a In addition, $13 million will be provided over the next three years from the Ministry of Innovation and Science and the Medical Research Endowment Fund for capital support to post-secondary institutions.

EDUCATION

Excellence in the kindergarten to grade 12 education system continues to be a high priority for Albertans. The Ministry of Education's initiatives over the next three years include:

- An additional $575 million for operating support to school boards and other educational support.
- $833 million for school capital projects.

Basic education operating spending is increasing by 5.1 per cent in 2006-07.

In the 2006-07 fiscal year, program spending on the basic education system, including grants for school capital projects, is over $5.1 billion, a 6.8 per cent increase from 2005-06. This includes $4.8 billion in operating spending, an increase of 5.1 per cent, or $231 million. In addition, $339 million is provided for school capital projects in 2006-07.

SUPPORT TO SCHOOL BOARDS

In 2006-07, operating and property tax support to public and separate school boards, including funding for provincial initiatives such as the Class Size Initiative, increases by 5.2 per cent, or $194 million. This will bring support to school boards to more than $3.9 billion. By 2008-09, this support will be more than $4.2 billion, a three-year increase of $517 million, or 13.8 per cent.

This additional funding will give school boards increased capacity to manage the education initiatives currently underway while providing flexibility for school boards to address local education needs. General enrolment across the province is expected to decrease by about 3,000 students, or 0.5 per cent this year.

Budget 2006 continues the government's commitment to the Class Size Initiative. In July 2004, the government announced that school boards would receive, in addition to their base grants, funding over a three-year period to hire 2,265 teachers in order to reduce class sizes. For the 2004-05 school year, 1,250 new classroom teachers were hired under this initiative. An additional 435 teachers were hired for the 2005-06 school year.

Support for the Class Size Initiative will increase by 15 per cent, allowing school boards to retain teachers already hired and to hire additional teachers.

As a result, the majority of school boards already meet or exceed the Commission on Learning's guidelines for grades 4 to 12 average class sizes. For the 2006-07 fiscal year, support for the Class Size Initiative is increasing by $16.6 million, or 15.1 per cent, to $126.3 million, allowing school boards to retain the 1,685 teachers hired in the last two years and hire additional teachers to specifically address those areas experiencing the greatest difficulty in class size reduction.

This budget also provides funding for initiatives such as:

- Additional innovative technology in the classroom.
- Increased transportation costs, including the continuation of the Transportation Fuel subsidy.
- Additional support for the Student Health Initiative.
- Increased support for students with severe special needs.
- Increased support for students requiring English as a Second Language programming.

SCHOOL FACILITIES OPERATIONS AND MAINTENANCE

Additional funding for school facilities operations and maintenance.

In 2006-07, plant operations and maintenance support to school boards is increasing by $19 million, or 5.1 per cent, to $395 million. This fulfills the government's commitment to increase plant operations and maintenance funding by $43 million this school year.

OTHER PROGRAMS AND SERVICES

- Teachers' Pension Costs – 6.3 per cent increase in teachers' pension costs, reflecting the hiring of additional teachers, increases in the contribution rate and negotiated salary increases.
- Private Schools – 5 per cent increase in funding for accredited private schools for grant rate increases and to accommodate the number of special needs students served, particularly by private early childhood services operators.
- Technology – continued support for e-learning opportunities including high-speed networking, LearnAlberta.ca, and provincial Microsoft licensing for school boards.
- High School Completion – A series of roundtables will be held with youth from across the province to discuss high school completion. A symposium, which will include teens, parents, business leaders and educators, will help develop a provincial strategy to increase high school completion rates.

CAPITAL SUPPORT FOR SCHOOLS

$833 million in school capital support over the three years.

Capital support for schools will total $833 million over the next three years, an increase of $189 million from the *2005-08 Capital Plan*. In 2006-07, $339 million is being provided including $81 million for Infrastructure Maintenance and Renewal projects, and $258 million to fulfill the government's commitment for previously announced school projects.

Ministry of Education

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating Expense				
Operating support to school boards	3,734	3,928	4,091	4,251
Less: Funding from opted-out boards' property tax revenue	(166)	(169)	(175)	(182)
School facilities operation and maintenance	376	395	395	395
Teachers' pensions	319	339	354	369
Other initiatives/program support	293	294	291	298
Total Operating Expense	**4,556**	**4,787**	**4,956**	**5,131**
Capital grants	243	339	272	222
Amortization	1	1	1	1
Total Program Expense	**4,800**	**5,127**	**5,229**	**5,354**
Operating expense increase (%)		5.1	3.5	3.5
Program expense increase (%)		6.8	2.0	2.4

HEALTH AND WELLNESS

On February 28, 2006, a Health Policy Framework was released that outlined values and policy directions for Alberta's health system. The framework envisions a comprehensive public health system that provides quality health services to all Albertans, and creates greater flexibility and choice.

Since 1995-96, health spending has grown by an average of about 10 per cent a year and accounts for 37 per cent of the government's total budget. The Alberta government's per capita health spending is one of the highest in the country.

The Ministry of Health and Wellness' operating spending is increasing by 7.5 per cent in 2006-07.

In 2006-07, program spending by the Ministry of Health and Wellness reaches $10.3 billion, a 7.7 per cent increase. This includes $9.6 billion in operating spending, an increase of $668 million, or 7.5 per cent. $748 million is being spent on health capital in 2006-07, including $672 million in capital grants to health authorities and $76 million in capital investment, primarily for electronic health records and vaccines.

Health Authority Operating Grants. Nearly two-thirds of Health and Wellness' operating budget is provided to health authorities for provision of services, ranging from home care to diagnostic testing to surgeries and transplants. In 2006-07, operating grants to health authorities increase by $338 million, or 6 per cent, to nearly $6 billion. Further increases of 6 per cent are planned in 2007-08 and 2008-09.

Physician Services. $1.88 billion is being provided in 2006-07 including:

- $75 million for special arrangements with academic physicians so they can focus more time on research, education and delivering innovative specialty care to Albertans.
- $70 million for primary care initiatives.
- $21 million for the Physician Office System Program to support the expansion of the Electronic Health Record to physician offices.

The new $500 million Alberta Cancer Prevention Legacy Fund will support the fight against cancer.

Alberta Cancer Prevention Legacy Fund. Bill 1, the *Alberta Cancer Prevention Legacy Act*, establishes a $500 million Alberta Cancer Prevention Legacy Fund for new and expanded cancer screening programs, a virtual cancer research institute to coordinate cancer research in the province, and the promotion of coordinated public, private, provincial, national and international research and screening programs. $25 million will be drawn from the Fund in each of the next three years.

The government is extending the approach used to reduce wait times for hip and knee replacements to other services.

Wait Times. In 2005-06, the Alberta Hip and Knee Replacement Project decreased wait times for first orthopedic consultations from 35 weeks to 6 weeks, and wait times between consultation and surgery from 47 weeks to less than 5 weeks. This approach is being extended to other health areas, such as breast and prostate cancer care, coronary artery bypass surgery, MRIs and CT scans. A total of $54 million has been allocated over 2005-06 and 2006-07 to address current wait-listed patients so that the future wait times for selected services will be at an acceptable level.

Continuing Care. $42 million is being provided in 2006-07 to improve continuing care through changes such as increasing the number of hours of nursing and personal care in long-term care facilities, permitting increases in therapy, implementing new health care standards and improving case coordination. This is in addition to the $25 million increase provided in 2005-06. The number of hours of care will increase to 3.6 per resident day, up from 3.1 hours in 2004-05.

Drug Benefits. Non-group health benefits rise to $690 million in 2006-07, an increase of $91 million, or 15 per cent. This is largely due to increases in the cost of drug benefits for seniors.

Alberta Alcohol and Drug Abuse Commission. Budget is increasing by $19 million, or 25 per cent, to $95 million in 2006-07. $14 million of this increase is being used to implement services to help children abusing drugs.

HEALTH CAPITAL

$2.9 billion for health capital projects over the three years.

$2.9 billion will be provided over the next three years, an increase of $1.2 billion, or 74 per cent, over the *2005-08 Capital Plan*. This includes:

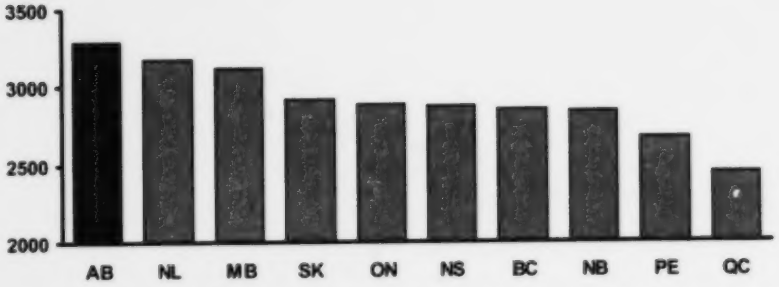
- $2.5 billion for health facilities projects including:
  - South Calgary Hospital, Foothills Medical Centre, Peter Lougheed Centre, Alberta Bone and Joint Institute, and Rockyview General Hospital in Calgary.
  - Health Sciences Ambulatory Learning Centre, the Royal Alexandra Hospital and the Mazankowski Alberta Heart Institute in Edmonton.
  - Health facilities in Red Deer, Lethbridge, Edson, Barrhead, Viking, High Prairie, Sherwood Park and Fort Saskatchewan.
- Information systems and vaccines – $309 million for the collection and distribution of health information, including the Electronic Health Record and the Diagnostic Imaging Strategy, and $95 million to purchase vaccines for immunization programs.

Ministry of Health and Wellness
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating Expense				
Health authority operating grants	5,637	5,975	6,334	6,714
Physician services	1,745	1,880	1,941	1,978
Other health services	1,546	1,741	1,724	1,797
Total Operating Expense	**8,928**	**9,596**	**9,999**	**10,489**
Capital Grants	616	672	1,060	977
Amortization [a]	36	47	50	53
Total Program Expense	**9,580**	**10,315**	**11,109**	**11,519**
Operating expense increase (%)		7.5	4.2	4.9
Program expense increase (%)		7.7	7.7	3.7
Capital Investment		76	62	62

a Includes consumption of inventories (vaccines).

Comparison of Provincial Government Health Expenditures
2005-06
(dollars per capita)



Source: Canadian Institute for Health Information (CIHI) – *National Health Expenditure Trends, 1975-2005.*
Note: Definition of health expenditure includes health-related components of various income support programs not included in the health expense function in *Budget 2006*. Statistics Canada's Financial Management System, which uses a narrower definition than CIHI, places Alberta's per capita health spending as second highest among provinces in 2004-05.

Alberta's per capita health spending is one of the highest among the provinces.

SENIORS AND COMMUNITY SUPPORTS

The Ministry provides assistance to seniors and persons with disabilities, and various social housing programs. In 2006-07, operating spending is $1.7 billion, an increase of 9 per cent or $141 million.

Total program spending increases by only 2.8 per cent in 2006-07 as a result of lower capital grants for affordable housing and supportive living.

Alberta Seniors Benefit. Program funding is increasing by $21 million, or over 8 per cent, to $274 million as part of the increased funding for continuing care. Residents of long-term care and designated assisted living facilities are receiving increased funding to assist with their accommodation costs. The maximum annual benefit rose to $9,660, effective January 1, 2006.

AISH program spending increases by nearly 18 per cent in 2006-07.

Assured Income for the Severely Handicapped (AISH). In 2006-07, funding reaches $574 million, an increase of $86 million, or nearly 18 per cent (excluding the $12 million legal settlement in 2005-06). The increase provides for higher caseload volumes and for:

- A $50 increase in the maximum monthly living allowance to $1,000, effective April 1, 2006.
- Increased benefits for AISH recipients living in long-term care or designated assisted living spaces as part of the continuing care reforms. The maximum annual benefit was increased by nearly 20 per cent to $20,810 effective January 1, 2006.
- Full-year costs of changes made in October 2005 to enhance benefits such as special transportation, and to increase employment income exemptions so recipients can benefit more from their earned income.

Seniors Lodge Assistance. Assistance has been increased by $4.7 million during 2005-06 and a further $4.2 million in 2006-07.

Persons with Developmental Disabilities (PDD). In 2006-07 the budget increases by $13 million, or 2.6 per cent, to $509 million. This is on top of the $10 million in new ongoing annual funding announced in February 2006 for salary increases to some 12,000 frontline staff.

Over 2005-06 and 2006-07, the government is supporting the construction of about 1,500 supportive living units in rural Alberta.

Social Housing Capital. $69 million is provided in 2006-07, including:

- $24 million for the Rural Affordable Supportive Living program which supports the creation of housing in rural Alberta for seniors, people with high health needs and lower-income Albertans. This is in addition to the $76 million provided in 2005-06. Over the two years, this will support the construction of about 1,500 supportive living units in rural Alberta.
- $44 million is provided to support the development of 350 affordable housing units. This is the final year of the Canada/Alberta Affordable Housing Agreement, which will have provided nearly $200 million since 2002 to expand the stock of affordable housing units in Alberta.

Ministry of Seniors and Community Supports

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating Expense				
Seniors programs	340	368	380	397
AISH	500	574	609	612
Assistance to PDD	496	509	509	539
Other programs	227	253	274	274
Total Operating Expense	**1,563**	**1,704**	**1,772**	**1,822**
Capital Grants	160	69	–	–
Amortization/nominal sum disposals	44	44	44	44
Total Program Expense	**1,767**	**1,817**	**1,816**	**1,866**
Operating expense increase (%)		9.0	4.0	2.8
Program expense increase (%)		2.8	(0.1)	2.8

CONTINUING CARE

Health and Wellness, and Seniors and Community Supports provide health and accommodation services for individuals with chronic care needs in homes, supportive living and long-term care facilities. From 2004-05 to 2008-09, there will be a $127 million increase in annual funding for continuing care. This allows for:

- Increased hours of nursing and personal care in long-term facilities.
- Increased benefits for accommodation costs for low-income seniors.
- Increased funding for the Seniors Lodge Assistance Program.
- Improved access to community-based services for persons with special needs.
- New accommodation standards in supportive living and long-term care facilities, and mechanisms to monitor and enforce them.

In addition, $115 million in capital support for rural affordable supportive living and seniors lodges has been allocated in 2005-06 and 2006-07. This will help improve facilities in the continuing care system.

CHILDREN'S SERVICES

Children's Services program spending increases by 12 per cent in 2006-07.

In 2006-07, program expense is $918 million, an increase of $99 million, or 12.1 per cent. This funding increase will help strengthen the continuum of services designed to produce better results for children, youth and families in urban, rural and Aboriginal communities.

In late February 2006, the new federal Conservative government informed Alberta that funding for the Early Learning and Child Care initiative would be cancelled after the 2006-07 fiscal year. This decision came too late in Alberta's budget process to determine the possible implications for Children's Services 2007-09 spending plans. As a result, the revenue and expense associated with this initiative are still contained in 2007-08 and 2008-09 plans. Alberta will actively participate in negotiations with the new federal government regarding future federal funding in this area.

In 2006-07, increases in funding allow for:

- **Child Care.** $147 million for child care programs, an increase of $49 million or nearly 50 per cent from 2005-06. Alberta's five-point plan, released in October 2005, indicated the additional federal funding would be used to increase child care subsidies and to improve the quality of child care choices.
- **Child Intervention Services.** Funding is increasing by $22 million, or 5.4 per cent in 2006-07. The protective services safety net is being strengthened through Bill 2, the *Drug Endangered Children Act*. The Act clarifies that children exposed to drug manufacturing and trafficking are victims of abuse and require intervention. It provides an additional tool to rescue, protect, shelter and support drug-endangered children.
- **Family Support for Children with Disabilities.** An additional $8.8 million, or 10.7 per cent, is being provided to expand services, particularly for those in rural and isolated areas of the province.
- **Other Services.** Funding is increasing by an additional $16 million or 9.4 per cent. This allows additional resources to be provided for the Prevention of Family Violence and Bullying, and to help youth in government care, including increased bursaries to pursue post-secondary education and expanded transitional supports.

Ministry of Children's Services
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Child intervention services	402	424	427	428
Child care	98	147	149	156
Support for children with disabilities	83	92	101	100
Family and community support services	65	68	70	70
Other services	171	187	198	198
Total Program Expense	**819**	**918**	**945**	**952**
Program expense increase (%)		12.1	2.9	0.7

SAFE COMMUNITIES

Funding for the Ministries of Justice, and Solicitor General and Public Security is being increased by $72 million, or 9.9 per cent, in 2006-07.

80 additional RCMP officers to be hired.

Provincial Policing. Funding increases by $11.8 million, or 8.2 per cent, to $155.4 million in 2006-07. The increase provides for 80 additional RCMP officers under the Provincial Policing Services Agreement, bringing the overall Alberta complement to over 1,400 officers. In addition, this increase will result in more Alberta Sheriffs being hired to undertake enforcement initiatives on provincial highways as part of the Alberta Traffic Safety Plan.

23 per cent increase in 2006-07 to help in the fight against organized crime.

Organized Crime. Funding to combat organized crime is increasing to $18 million in 2006-07, a 23 per cent increase. This increase will establish a twenty-member surveillance team that will work closely with the RCMP and municipal police services in providing strategic support to crack down on organized crime. The fight against the use of crystal methamphetamine will continue through the Integrated Response to Organized Crime Unit, other integrated units targeting drugs and gangs, and participation in the newly established Crystal Meth Task Force.

Municipal Policing. Policing assistance to municipalities is being increased by 4.8 per cent to $48 million in 2006-07 to allow funding to keep pace with population growth in the province, and to deal with unique policing situations faced by specific municipalities.

More Crown prosecutors to be hired in 2006-07.

Enhanced Prosecution Service. Funding for Legal Services provided by Justice is increasing by $7.9 million, or 9.3 per cent in 2006-07. $6.3 million of this increase is in the Criminal Justice Division, which includes funding to hire an additional eighteen Crown prosecutors and nine prosecutorial staff. As well, up to ten specialized prosecutorial staff focusing on family violence issues will be added.

Access to Justice. Funding for Court Services increases by $10.2 million, or 7.6 per cent in 2006-07. The additional funding will be used to appoint additional judges and to hire frontline staff in courthouses and pursue information technology to improve services to judiciary and public.

Alberta Relationship and Threat Assessment and Management Initiative. A multi-disciplinary unit involving the RCMP, municipal agencies, Health and Wellness, Children's Services, Justice, and Solicitor General and Public Security is being established to reduce and manage high-risk family violence and stalking cases.

Ministries of Justice and Solicitor General and Public Security
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Solicitor General and Public Security	413	450	463	463
Justice	313	348	356	357
Total Program Expense	**726**	**798**	**819**	**820**
Program expense increase (%)		9.9	2.6	0.1

INFRASTRUCTURE AND TRANSPORTATION

The Ministry of Infrastructure and Transportation provides funding for the provincial highway network, municipal infrastructure, natural gas rebates and government facility operations. Initiatives over the next three years include:

- $3.2 billion in capital support for municipal infrastructure, including municipal water and wastewater systems.
- $3.6 billion in capital support for the provincial highway network.
- Continued natural gas rebates and initiatives to improve traffic safety.

In 2006-07, program spending, including capital grants to municipalities, is budgeted at almost $2.6 billion. This is a decrease of about $370 million from 2005-06, almost entirely as a result of the expected lower costs of the Natural Gas Rebate program. In 2006-07, Infrastructure and Transportation is also providing $1.3 billion for capital investment in provincial highways and government facilities. This is an increase of $410 million, or 47 per cent, from the 2005-06 forecast.

CAPITAL SUPPORT FOR MUNICIPAL INFRASTRUCTURE

Over the three years, Alberta municipalities will receive $3.2 billion in capital support through Infrastructure and Transportation. This includes:

- **Alberta Municipal Infrastructure program** – $1.8 billion for municipal roads, bridges, public transit, water and wastewater, emergency services and infrastructure management systems.
- **Municipal Transportation Grants** – $995 million for rural and urban communities for transportation capital projects based on 5 cents per litre of fuel delivered in Edmonton and Calgary, $60 per capita for other urban municipalities, and on factors such as kilometers of open road and terrain for rural grant programs.
- **Water and Wastewater** – $126 million for municipal water supply and treatment and wastewater treatment and disposal.
- **Other Municipal Capital Support** – $320 million in support for the federal New Deal for Cities and Communities, Alberta's share of the Canada/Alberta Municipal Rural Infrastructure Fund and other initiatives.

Alberta municipalities will receive $3.2 billion in capital support over the three years.

PROVINCIAL HIGHWAY NETWORK

Over the next three years, capital support for the provincial highway network will total $3.6 billion. This is an increase of $1.7 billion or 83 per cent from the *2005-08 Capital Plan*. This includes:

- $1.5 billion for the Edmonton and Calgary ring roads.
- $2.1 billion for other highway construction projects, including the commencement of the twinning of Highway 63 between Edmonton and Fort McMurray, continuing upgrades to other sections of Highways 63 and 881 in and around the Fort McMurray/Wood Buffalo area, twinning sections of the North-South Trade corridor, and other highway rehabilitation throughout the province.

$3.6 billion in capital support for provincial highways over the three years.

OTHER CAPITAL PROJECTS

Investments of $672 million in other government-owned capital will also take place over the next three years, for the Royal Alberta Museum, the Calgary Courts Centre, dams, canals and erosion-control infrastructure, and other government facilities.

NATURAL GAS REBATE PROGRAM

Over $900 million in natural gas rebates expected to be provided to Albertans over the three years.

The Natural Gas Rebate program was developed to provide some protection to Albertans from high winter natural gas prices. The program has been extended until March 31, 2009 and expanded to include rebates for six months, from October to March. It is expected that approximately $926 million in rebates will be provided over the next three years.

TRAFFIC SAFETY PLAN

A Traffic Safety Plan is being developed to coordinate new strategies, changes to legislation and increased enforcement. Issues such as driver education and licencing, enforcement, community involvement and road engineering improvements will be addressed.

Ministry of Infrastructure and Transportation
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Operating expense				
Government operations	346	354	352	352
Highway maintenance and other services	281	297	297	297
Total Base Operating Expense	**627**	**651**	**649**	**649**
Natural Gas Rebate program	726	362	282	282
Capital grants/provincial highway rehabilitation	1,240	1,190	1,243	1,340
Amortization/nominal sum disposals/ consumption of inventories	324	345	361	358
Total Program Spending	**2,917**	**2,548**	**2,535**	**2,629**
Base operating expense change (%)		3.8	(0.3)	–
Program expense change (%)		(12.6)	(0.5)	3.7
Capital Investment				
Provincial highway network	581	976	825	1,453
Other capital projects	289	304	184	184
Total Capital Investment	**870**	**1,280**	**1,009**	**1,637**

ECONOMIC AND ENVIRONMENTAL INITIATIVES

RURAL DEVELOPMENT

$100 million is being provided in 2006-07 for an initiative to support rural development.

Rural Development Initiative. In 2006-07, $100 million is being provided for an initiative to support community-based projects to expand and diversify the rural economy, improve services in local communities and enhance the quality of life for rural families.

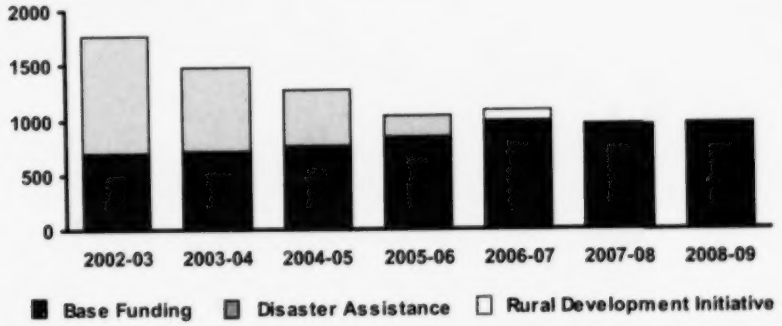
The program parameters are being finalized and will reflect input received from rural Albertans. This initiative is in addition to other measures such as increased funding for rural health facilities, affordable housing programs, Agricultural Service Boards, the *Water for Life* strategy, irrigation systems and municipal policing.

Bovine Spongiform Encephalopathy (BSE). The BSE crisis has severely affected rural communities. Nonetheless, farmers, ranchers and those whose livelihood depends on a healthy rural economy have persevered, in part due to support from other Albertans through the government's continuing six-part BSE recovery strategy. *Budget 2006* provides an additional $20 million to respond, if necessary, to BSE-related changes in feed regulations and specified risk material disposal.

Production insurance premiums reductions.

Farm Income Stabilization. Programs are being reviewed to improve their effectiveness. Pilot projects have been introduced to deal with the longer-term declining economics of agricultural production due to sagging agricultural commodity prices, increasing input costs and crises like drought and BSE. As well, the government recently extended enhancements to the Revenue Insurance Coverage and Spring Price Endorsement programs to cover the 2006 crop year. Alberta's grain and oilseeds producers also will see a 20 per cent drop in their share of production insurance premiums for 2006.

Ministry of Agriculture, Food and Rural Development
Program Expense
(millions of dollars)



RESEARCH AND INNOVATION

The medical, and science and engineering endowments will support $285 million in research over the three years.

Research Endowment Funds. Alberta has two major research endowment funds with total assets of $2 billion. Over the next three years, these funds will support approximately $285 million in medical, and science and engineering research in Alberta. In addition, the new $500 million Alberta Cancer Prevention Legacy Fund will support cancer research.

National Institute of Nanotechnology (NINT). Over the past five years, $60 million has been invested by Alberta in constructing and equipping one of the world's most technologically advanced facilities for nanotechnology research, with $47.4 million invested by the provincial government and $12.6 million from the University of Alberta. The total project cost is $120 million, funded in partnership with the federal government and the University of Alberta. NINT will explore nanotechnology applications in health, computing science, energy, biotechnology, education, manufacturing and engineering.

Energy Research. $63 million will be provided for energy research over the next three years, mostly through the Alberta Energy Research Institute. The Institute's six priorities are: clean coal development, bitumen upgrading, enhanced recovery of oil and gas, alternate and renewable energy sources, carbon dioxide, and water management.

Funding will be provided to promote research into clean coal technologies.

Clean Coal Technologies. Alberta has 33.6 billion tonnes of established reserves of coal, and potentially 620 billion tonnes might be available. Clean coal technologies, such as coal gasification, make it possible for coal to be used in an environmentally efficient manner while capturing associated by-products which can enhance value-added opportunities.

Ten per cent of Alberta Energy Research Institute's 2006-09 budget is supporting, in partnership with industry, the federal government and universities, ten clean coal technologies research projects valued at $18.5 million.

Development of new energy technologies through the Innovative Energy Technologies Program.

Innovative Energy Technologies Program. A five-year, $200 million royalty reduction program, including $15 million for carbon dioxide sequestration, was established in 2005-06. The program encourages development of new energy technologies to increase recoveries from existing and in-situ oil sands reserves, development of new reserves, finding solutions to the gas over bitumen issue, and devising cost reductions that extend oil and gas pools' economic lives. To date, $68 million in royalty adjustment commitments have been made, of which $14 million relate to carbon dioxide sequestration.

Life Sciences Research. $51 million will be provided over the next three years for research on bioproducts, health and nutrition, water, genomics and other platform technologies, and sustainable resource management.

Alberta SuperNet. With the recent completion of SuperNet, Albertans across the province have the opportunity to connect to a high-speed internet network. Currently 25 internet service providers are using SuperNet to provide service in over 97 communities. More communities are expected to connect in the near future.

AVAC Ltd. In 2006-07, AVAC will expand operations to provide managerial and financial support to start-up and early stage ventures in information and communications technology, life sciences and other industrial technology sectors. $30 million was provided for this initiative in February 2006.

THE ENVIRONMENT

Water for Life: Alberta's Strategy for Sustainability

Water for Life funding will total $172 million over the three years.

In 2005-06, $105 million was provided for implementing the *Water for Life* strategy. This strategy is focused on safe, secure drinking water, healthy aquatic ecosystems and sustainable supplies of water. Over the three years, $172 million in operating and capital support will be provided, including:

- $126 million in capital grants to support municipal water supply and treatment, and wastewater treatment and disposal.
- $33 million to improve understanding of groundwater in the province, accelerate the completion of flood risk mapping to reduce risk and liabilities from flooding, advance drinking water programs for smaller communities, and for water monitoring equipment.
- $13 million to expand testing capacity for drinking water, augment emergency response support to public and private water systems, enhance waterborne health protection systems, upgrade drinking water systems and continue monitoring water quality in provincial parks.

In addition to the *Water for Life* funding, $144 million over three years is committed for irrigation rehabilitation grants, government dams, canals and erosion-control infrastructure and other initiatives.

Climate Change. In 2006-07, $12 million is provided for Climate Change activities. This includes $8 million in research funding through the Alberta Energy Research Institute. Other initiatives include energy efficiency and conservation programs. In 2006-07, amendments to the *Climate Change and Emissions Management Act* will be introduced providing regulatory authority to set greenhouse gas emissions limits for industrial facilities.

Forest Management. Over three years, $70 million will be provided to continue to upgrade aircraft and air tanker bases used for fighting wildfires, and $8 million will be provided to continue to address the mountain pine beetle infestation.

Land Use Framework Initiative. $15 million will be provided over three years for consulting with Albertans on land use in developing a decision-making framework. Funding also allows for improving land use resource information to support decision-making for environmental sustainable resource management, and for enhancing the existing land disposition approval process.

Alberta Energy and Utilities Board. There is a $14 million increase in their 2006-07 budget. This increase will be used to help improve public and environmental safety, and adapt regulatory activities to new energy resources being developed (such as coalbed methane, shale gas, low-productivity oil and gas).

OTHER INITIATIVES

Increased funding for tourism and the film development program.

Tourism. In 2006-07, tourism funding is increasing by over $6 million, or 14.6 per cent, to $48 million, for expanded national and international marketing and development of new tourism opportunities.

Alberta Film Development Program. Funding for the program is increasing by 10 per cent to almost $15 million in 2006-07. The program is targeted to reach $18 million by 2008-09, a $4.5 million, or 33 per cent, increase over the next three years.

Community and Cultural Foundations. A total of $7 million is being added to the budgets of provincial foundations supporting programs in the arts, sports and recreation, human rights and multiculturalism, volunteerism and historical resources sectors.

Employment and Income Support. Increased funding is being provided for workplace health and safety initiatives, and immigration services, including enhanced English as a Second Language training and foreign credential recognition.

Strong employment growth has allowed funding to be reallocated within Alberta Works:

- to skills and apprenticeship training programs, with an emphasis on occupations facing labour shortages, and
- for a 5% increase in Alberta Works core benefit rates for almost 12,000 clients who are not expected to work.

First Nations. Over the next three years, $21 million will be spent on the First Nations Economic Participation initiative. $10 million is also being provided to accelerate completion of Traditional Use Studies. This should facilitate improved resource management decision-making by avoiding potential land use conflicts with First Nations.

Regulatory Reform. Alberta's regulatory regime will be reviewed in 2006-07. Opportunities to streamline activities and to remove duplication will be identified.

Economic and Revenue Outlook

High energy prices, along with strong investment and consumer spending, resulted in Alberta's economy growing by 4.3 per cent in 2005, the best performance by any province for the second consecutive year. Alberta's unemployment rate of 3.9 per cent was the lowest in Canada and Alberta had the highest average personal disposable income of any province.

Alberta's real economic growth is forecast at 4.8 per cent in 2006.

Economic growth is expected to be 4.8 per cent in 2006. Increasing production from oil sands, rising investment and consumer spending, along with an improved agriculture sector, will all contribute to continued strong growth. Over the medium term, Alberta's economic outlook is very positive, with growth averaging 3.5 per cent per year through 2009. Alberta will remain at essentially full employment, with employment growing at 2.2 per cent per year and the unemployment rate remaining at 3.9 per cent.

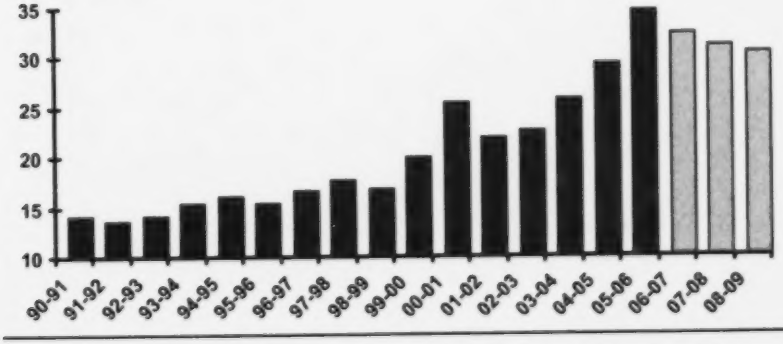
REVENUE OUTLOOK

Total revenue is estimated at $32.4 billion in 2006-07.

In 2005-06, revenue increased by 18 per cent to $34.6 billion. This was the result of record non-renewable resource revenue which increased by nearly 50 per cent. Revenue from other sources (before deducting the Alberta 2005 Resource Rebates) increased by about 10 per cent, reflecting strong corporate and personal income tax revenue and investment income.

Over the next three years, total revenue is expected to decline. Energy prices are assumed to fall back from their current peaks, resulting in a decline in resource revenue. The growth in revenue from other sources is also expected to be lower due to tax reductions and a more moderate rate of return on investment income. As a result, revenue will decline by $2.2 billion, or 6.3 per cent, in 2006-07 and a further 5.9 per cent over the following two years.

Total Revenue
(billions of dollars)



The volatility of energy prices makes it difficult to accurately forecast government revenue. While non-energy revenue can be expected, on average, to grow roughly in line with the growth in the economy, energy revenue can change by billions of dollars in a single year. For this reason,

legislated limits have been placed on the amount of non-renewable resource revenue that can be used for budget purposes. This provides a more predictable level of revenue on which to base program spending decisions.

The *Fiscal Responsibility Act* will limit the amount of non-renewable resource revenue that can be used for budget purposes to $5.3 billion in *Budget 2006*. However, the Act does allow budgeted revenue to be supplemented through transfers from the Capital Account for capital projects and from the Sustainability Fund for natural gas rebates, emergencies/disasters and settlements with First Nations.

Over three years, the Capital Account provides an average of $2.3 billion per year for capital grants. The Sustainability Fund will also provide an average of $309 million a year for natural gas rebates.

Revenue
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Tax revenue	11,731	11,546	11,891	12,453
Non-renewable resource revenue	14,362	11,354	9,448	8,238
Transfers from Government of Canada	3,363	3,398	3,572	3,658
Investment income	2,106	1,767	1,798	1,741
Other revenue	4,359	4,343	4,410	4,420
Total Revenue (prior to rebates)	35,921	32,408	31,119	30,510
Alberta 2005 Resource Rebate	(1,320)	–	–	–
Total Revenue	**34,601**	**32,408**	**31,119**	**30,510**

NON-RENEWABLE RESOURCE REVENUE

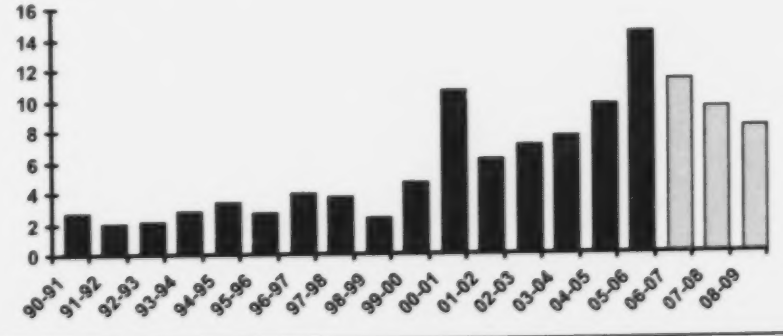
With energy prices and revenue at record levels, the potential downside risk to government revenue is greater than in previous years.

In 2005-06, energy prices reached record levels. Oil prices averaged US$60 per barrel and natural gas prices averaged Cdn$8.40 per GJ. These exceptionally high oil and natural gas prices, combined with record land lease sales, resulted in a record $14.4 billion in non-renewable resource revenue in 2005-06.

Non-renewable resource revenue in 2005-06 was nearly double the level it was just two years ago, in 2003-04, and nearly five times higher than it was through most of the 1990s.

Non-Renewable Resource Revenue
(billions of dollars)

Resource revenue is forecast at $11.4 billion in 2006-07.



The budget forecasts oil prices at US$50.00 in 2006-07, declining to US$42.50 by 2008-09. Natural gas prices are forecast at Cdn$7.50 in 2006-07, declining to Cdn$6.25 by 2008-09.

Fiscal Year Assumptions

	2005-06	2006-07	2007-08	2008-09
Oil Price (WTI US$/bbl)	60.00	50.00	45.00	42.50
Natural Gas Price (Cdn$/GJ)	8.40	7.50	6.50	6.25
Exchange Rate (US¢/Cdn$)	84.0	85.8	85.0	85.0

Energy Price Forecasts by Other Organizations

Most forecasters surveyed expect energy prices will decline over the next three years from current levels.

The rapid rise in energy prices in recent years was unexpected by most analysts. Today, there is even less certainty over energy prices. Generally, energy analysts surveyed have indicated that they expect oil and natural gas prices to decline from current levels. However, the timing and extent of the expected decline vary considerably.

By 2008-09, the average oil price of energy analysts surveyed is about US$46 while the average natural gas price is the equivalent of just under Cdn$6.00 per GJ.

These prices are similar to the medium-term forecast being used in *Budget 2006*. However, *Budget 2006* does assume the decline in oil prices will occur about a year faster than most industry analysts surveyed.

Reflecting the uncertainty over energy prices, forecasters have a fairly wide range of views. Based on the forecasts reviewed, for 2006-07, there is about a US$24 range in oil prices and Cdn$2.75 range in natural gas prices. This suggests non-renewable resource revenue could be between $10 billion and $16 billion.

Comparison of Energy Price Forecasts

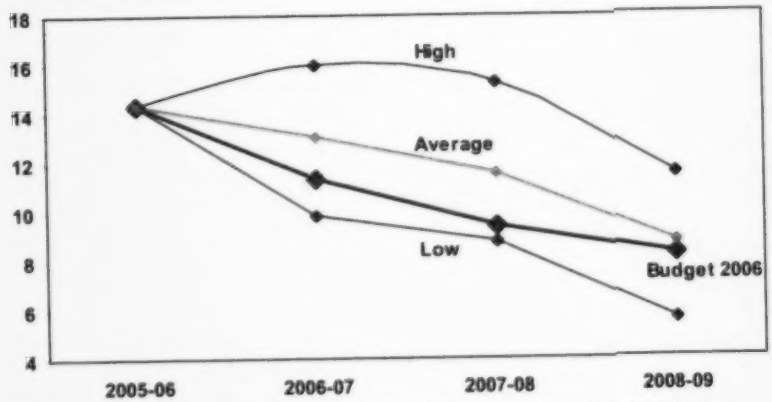
	Private Forecasters [a]			***Budget***
	High	Low	Average	***2006***
2006-07				
Oil Price (WTI US$/bbl)	72.49	48.16	59.92	**50.00**
Natural Gas Price (Cdn$/GJ)	9.09	6.36	7.52	**7.50**
2007-08				
Oil Price (WTI US$/bbl)	72.73	46.24	55.37	**45.00**
Natural Gas Price (Cdn$/GJ)	8.41	5.66	6.81	**6.50**
2008-09				
Oil Price (WTI US$/bbl)	56.19	35.00	46.16	**42.50**
Natural Gas Price (Cdn$/GJ)	7.63	4.65	5.86	**6.25**

a Private forecasts have been converted to a fiscal year basis, and for natural gas prices, from Henry Hub US$/MMBTU basis to Cdn$/GJ.

Further details on energy price forecasts by other organizations are in the Economic Outlook chapter.

Energy Revenue Scenarios[a] – *A $6 Billion Range*

(billions of dollars)



a Non-renewable resource revenue scenarios are based on a survey of oil and natural gas price projections from leading forecasting organizations. Not all of these forecasts are publicly released.

$6 billion range between high and low energy price scenarios.

Budget 2006 Non-Renewable Resource Revenue Forecast

2006-07 non-renewable resource revenue is estimated at $11.4 billion. This is $3 billion, or 21 per cent, lower than 2005-06. Over the following two years, non-renewable resource revenue is forecast to decline by $1.9 billion and $1.2 billion, reaching $8.2 billion in 2008-09.

Bonuses and sales of Crown leases reached a record level of $3.4 billion in 2005-06, almost $2.2 billion higher than the previous record in 2004-05. The budget assumes bonuses and sales of Crown leases revenue will return to roughly 2004-05 levels for 2006-07 and the following two years.

Royalties from synthetic crude oil and bitumen to reach $1.7 billion in 2006-07.

Royalties from synthetic crude oil and bitumen also reached a record level in 2005-06, at almost $1.2 billion. In 2006-07 and 2007-08, royalties from oil sands are expected to surpass that record by over $500 million, with revenue estimated at $1.7 billion. Strong oil prices will increase royalties from projects in payout and accelerate the timing of project payout for other projects. In 2008-09, royalties are forecast to drop by $350 million, as adjustments within the royalty system to treat all projects on a similar basis are expected to take place.

Non-Renewable Resource Revenue

(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Natural gas and by-products royalty	8,238	7,146	5,578	4,942
Crude oil royalty	1,447	954	798	685
Synthetic crude oil and bitumen royalty	1,184	1,716	1,712	1,351
Coal royalty	11	11	11	11
Bonuses and sales of Crown leases	3,440	1,479	1,293	1,191
Rentals and fees	155	150	150	148
Royalty tax credit	(113)	(102)	(94)	(90)
Total Non-Renewable Resource Revenue	**14,362**	**11,354**	**9,448**	**8,238**

TAX REVENUE

In 2006-07, total tax revenue is estimated at $11.5 billion. This is $1.1 billion higher than in 2005-06. The increase is due to a one-time $1.3 billion reduction in 2005-06 for the Alberta 2005 Resource Rebate. The rebate is a refundable tax credit and the cost is reported as a reduction to personal income tax revenue.

Excluding the resource rebates, total tax revenue is $185 million, or 1.6 per cent, lower than in 2005-06. The decrease is due primarily to a reduction in the corporate income tax rate and the effect of prior years' adjustments to personal income tax. In the following two years, tax revenue is forecast to grow by an average of about 3.9 per cent a year.

Base growth rate in personal income tax revenue expected to be about 7 per cent per year.

Personal income tax revenue is forecast at $6 billion, an increase of $102 million, or 1.7 per cent in 2006-07. This excludes the Alberta 2005 Resource Rebates. The relatively low increase is mostly due to prior years' adjustments related to 2003 and 2004 tax years. These adjustments increased 2005-06 base revenue. Taking these adjustments into account, the 2006-07 base growth rate in personal income tax is forecast to be 7.4 per cent. In the following two years, the growth in personal income tax revenue will average around 7 per cent a year.

The corporate income tax rate reduced from 11.5 per cent to 10 per cent.

Corporate income tax revenue is forecast at $2.2 billion in 2006-07, a decline of $369 million, or 14.2 per cent, largely due to a reduction in the general tax rate from 11.5 per cent to 10 per cent. The tax reduction reduces revenue by $265 million. Lower corporate profits due to expected lower energy prices account for the remainder of the decrease. Over the following two years, corporate income tax revenue is forecast to decline by a further 1.8 per cent, reflecting lower energy prices and economic growth moderating from 4.8 per cent to 3.5 per cent.

School property tax revenue is forecast at $1.3 billion, an increase of about $22 million, or 1.7 per cent, in 2006-07. In the following two years, school property tax revenue is forecast to grow by about 4 per cent a year.

Other tax revenue is expected to be relatively unchanged over the next three years, at about $2 billion. Reductions in freehold mineral rights tax revenue offset most of the increase in revenue from the other tax sources.

Tax Revenue
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Personal income tax	5,897	5,999	6,423	6,867
Corporate income tax	2,596	2,227	2,131	2,188
School property tax	1,284	1,306	1,356	1,410
Other taxes	1,954	2,014	1,981	1,988
Total Tax Revenue (prior to rebates)	11,731	11,546	11,891	12,453
Alberta 2005 Resource Rebate	(1,320)	–	–	–
Total Tax Revenue	**10,411**	**11,546**	**11,891**	**12,453**

TRANSFERS FROM GOVERNMENT OF CANADA

Federal transfers will total almost $3.4 billion in 2006-07.

Transfers from the Government of Canada represent about 12 per cent of Alberta's program expense. Federal transfers are estimated at almost $3.4 billon in 2006-07, an increase of $35 million, or 1 per cent from 2005-06.

Most of the increase in ongoing federal transfer programs is offset by the ending of several special health transfers and the absence of federal disaster payments for floods in 2006-07.

Health transfers are estimated at $1.9 billion in 2006-07, a 1.1 per cent increase from 2005-06. The Canada Health Transfer is forecast to increase by 11 per cent, but this is almost entirely offset by the wind up of three other special health transfer programs (Diagnostic/Medical Equipment and the 2003 and 2004 CHST Supplements). In the following two years, total health transfers are forecast to increase by 6.7 per cent and 4 per cent.

Agriculture transfers dropped significantly in 2005-06 due to lower BSE assistance and good crop conditions that lowered requirements for agriculture income stabilization and production insurance payments. Federal agriculture transfers are expected to return to more customary levels of about $300 million a year for the 2006-09 period.

The **Canada Social Transfer**, which supports post-secondary education and social programs, is forecast to increase by 10.4 per cent, to $678 million in 2006-07 and by an average of 5 per cent in the following two years.

Other federal transfers are forecast to decline in 2006-07 by 19 per cent, primarily due to the reduction in transfers related to flood disasters.

Other transfers also include the Early Learning and Child Care initiative. The federal government informed Alberta, in late February 2006, that this initiative would be cancelled after the 2006-07 fiscal year. This decision came too late in Alberta's budget process to determine the possible implications for 2007-08 and 2008-09 budget plans. The revenue forecast for 2007-08 and 2008-09 still includes the transfer of $117 million in each year for this initiative as identified under the original agreement.

Transfers from Government of Canada
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Health transfers	1,867	1,888	2,015	2,096
Canada Social Transfer	614	678	718	745
Agriculture support programs	227	303	302	300
Other transfers	655	529	537	517
Total Federal Transfers	**3,363**	**3,398**	**3,572**	**3,658**

INVESTMENT INCOME

Investment income is estimated at $1.8 billion in 2006-07.

Investment income is estimated to be $1.8 billion in 2006-07, a decrease of $339 million, or 16.1 per cent, from the 2005-06 forecast. The decline is primarily due to an expected lower rate of return on Heritage Fund and other endowment fund investments. Investment income is forecast to remain relatively flat over the following two years.

Heritage Fund and other endowment funds realized investment income is expected to drop in 2006-07 by about $385 million. The decline is primarily due to lower equity and fixed income realized rates of return, partly offset by additional deposits to the Heritage Fund and Medical Research Endowment Fund. In 2005-06, these funds had a realized rate of return of about 10 per cent because of the strong Canadian equity market. In 2006-07, the realized rate of return is expected to be about 6 per cent. The forecast is based on equity market returns reverting to the long-term average and on rising interest rates.

Alberta Capital Finance Authority's investment income is forecast to continue to decline over the next three years because interest rates on new loans that are being issued are lower than the rates on maturing longer-term loans.

Other investment income is expected to increase in 2006-07 and 2007-08, primarily due to higher interest rates and higher balances in the Sustainability Fund and the Capital Account, and income earned on the new Alberta Cancer Prevention Legacy Fund. In 2008-09, other investment income declines as the Capital Account is drawn down to fund capital projects and the Debt Retirement Account continues to be drawn down to pay off maturing debt.

Investment Income
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Alberta Heritage Savings Trust Fund	1,197	874	833	847
Alberta Capital Finance Authority	286	275	261	246
Endowment funds	181	119	131	148
Other investment income	442	499	573	500
Total Investment Income	**2,106**	**1,767**	**1,798**	**1,741**

REVENUE FROM OTHER SOURCES

Revenue from other sources is estimated at $4.3 billion in 2006-07, essentially unchanged from 2005-06. Increasing net income from commercial operations, primarily Alberta Treasury Branches, is offset by lower timber rentals and fees and lower health care insurance premiums revenue.

Timber rentals and fees are decreasing due to forecast lower lumber prices and the reduction associated with the updating of Alberta's Softwood Stumpage System, effective January 1, 2006. Health care insurance premiums decrease in 2006-07 because the threshold at which low-income families and individuals begin to pay premiums has been raised by $5,000.

Over the following two years, revenue from other sources is expected to remain relatively flat.

Revenue from Other Sources
(millions of dollars)

	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Net income from commercial operations	2,062	2,094	2,144	2,113
Premiums, fees and licences	1,799	1,752	1,794	1,841
Other	498	497	472	466
Total Revenue from Other Sources	**4,359**	**4,343**	**4,410**	**4,420**

RISKS

Economic

- The budget is based on continued strong Alberta and world economic growth. The U.S. budget and current account imbalances have the potential to disrupt world financial markets and significantly reduce U.S. and global economic growth in the medium term.
- Higher-than-expected increases in overall consumer and wholesale prices could cause inflationary pressures to emerge nationally and internationally. Monetary authorities would respond by raising short-term rates higher than expected, triggering slower world economic growth.
- In Alberta, tight labour markets and the robust Alberta economy could exacerbate wage pressures, making some sectors become less competitive. Inflationary pressures could increase government and private sector costs, particularly related to the construction sector.

Energy Prices

- There is significant uncertainty over energy prices. A greater-than-expected decline in world energy prices could negatively impact Alberta's energy sector and reduce government revenue.
- Higher-than-forecast energy prices would increase government revenue, but global economic growth could be negatively affected.

Exchange Rate

- The budget assumes the Canadian dollar will average about 85 cents relative to the US dollar.
- A stronger-than-expected Canadian dollar could negatively affect exports and economic growth. Oil and gas activity could also be negatively affected due to lower returns for energy exporters. A high Canadian dollar also lowers government resource revenue, as energy prices and contracts are mainly based on the US dollar.

Investment Income

- Alberta has significant financial assets that are invested in a variety of financial instruments. Changes in equity markets, interest rates, exchange rates and other factors affect the rate of return on these assets.

Emergency and Disaster Assistance

- Alberta has provided emergency and disaster assistance over the last several years to deal with drought, BSE, floods, wild fires and mountain pine beetle infestations. The amounts and occurrence of these spending requirements are not predictable. The Sustainability Fund was created in part as a risk management tool that is available to offset these types of unexpected costs.

Sensitivities to Fiscal Year Assumptions, 2006-07[a]

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-123	–	-123
Natural Gas Price (Cdn$/GJ)	-10¢	-104	–	-104
Exchange Rate (US¢/Cdn$)	+1¢	-172	–	-172
Interest Rates	+1%	-200	+5	-205

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land lease sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

FISCAL PLAN TABLES

Fiscal Summary[a]

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Revenue	29,328	27,346	34,601	**32,408**	31,119	30,510
Expense						
Program	23,851	25,535	26,966	**28,067**	29,161	29,903
Debt servicing costs	302	291	260	**245**	243	238
Total Expense[b]	24,153	25,826	27,226	**28,312**	29,404	30,141
Net Revenue (surplus)	5,175	1,520	7,375	**4,096**	1,715	369
Transfer from Capital Account for Capital Grants	1,209	1,274	1,795	**1,896**	2,451	2,587
Net transfer from (to) Sustainability Fund	(6,384)	(2,546)	(9,170)	**(5,692)**	(3,866)	(2,656)
Contingency Allowance	-	248	-	**300**	300	300

[a] For fiscal policy purposes under the *Fiscal Responsibility Act* (pending legislative amendment). Amounts for 2004-05 and 2005-06 have been restated to be comparable to the 2006-07 presentation. Excludes the increase in pension obligations, estimated to be $147 million in 2006-07, $149 million in 2007-08 and $165 million in 2008-09.

[b] Capital investment (not included in expense) : 828 1,037 1,088 1,519 1,199 1,824

Allocation of Surpluses

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Net Revenue (surplus)	5,175	1,520	7,375	**4,096**	1,715	369
Adjustments						
Contingency Allowance	-	(248)	-	**(300)**	(300)	(300)
Retained income of funds and agencies and cash adjustments[a]	(520)	384	(82)	**(746)**	(217)	(410)
Net cash required for capital investment from Capital Account[b]	(433)	(435)	(494)	**(813)**	(495)	(1,238)
Net withdrawal from Capital Account[c]	506	-	-	**-**	95	1,848
Sustainability Fund assets over $2.5 billion at start of year	-	998	998	**1,583**	1,908	2,247
Net Amount Available for Allocation	4,728	2,219	7,797	**3,820**	2,706	2,516
Allocation						
Debt Retirement Account	3,730	-	-	**-**	-	-
Capital Account - net deposits for future year use	-	1,554	3,569	**-**	-	-
Heritage Fund - deposit	-	-	1,000	**1,000**	-	-
Heritage Fund - inflation proofing	-	215	345	**242**	309	300
Advanced education endowment (in the Heritage Fund)	-	250	750	**-**	-	-
Scholarship Fund	-	-	250	**20**	-	-
Medical Research Endowment Fund	-	200	200	**150**	150	-
Science and Engineering Research Endowment Fund	-	-	100	**-**	-	-
Alberta Cancer Prevention Legacy Fund	-	-	-	**500**	-	-
Sustainability Fund assets over $2.5 billion at end of year	998	-	1,583	**1,908**	2,247	2,216
Total Allocation	4,728	2,219	7,797	**3,820**	2,706	2,516

[a] Includes cash adjustments and cash from fourth quarter results transferred in the following year.

[b] Cash required for capital investment from current year surplus and/or net withdrawal from Capital Account.

[c] Net amount withdrawn from Capital Account after current year allocations and withdrawals.

Balance Sheet Summary

(millions of dollars)

	At March 31				
	2005 Actual	2006 Forecast	2007 Estimate	2008 Target	2009 Target
Financial Assets					
Heritage Fund external investments	11,274	13,376	**14,699**	15,007	15,308
Self-supporting lending organizations	6,037	5,934	**6,324**	6,587	6,894
Sustainability Fund	3,498	4,083	**4,408**	4,747	4,716
Endowment funds [b]	1,658	2,299	**2,968**	3,122	3,130
Capital Account	674	4,243	**4,243**	4,148	2,300
Debt Retirement Account	3,479	2,214	**2,041**	1,792	1,166
Other financial assets	7,227	7,520	**8,467**	8,916	9,714
Total Financial Assets	33,847	39,669	**43,150**	44,319	43,228
Liabilities					
Accumulated debt	3,475	2,210	**2,037**	1,788	1,162
Pension obligations	5,235	5,449	**5,596**	5,745	5,910
Self-supporting lending organizations	4,928	4,671	**4,935**	5,110	5,347
Liabilities for government-owned capital	8	83	**231**	345	340
Other liabilities	5,041	5,514	**5,621**	5,644	5,811
Total Liabilities	18,687	17,927	**18,420**	18,632	18,570
Net Financial Assets	15,160	21,742	**24,730**	25,687	24,658
Capital Assets	10,921	11,500	**12,461**	13,070	14,303
Net Assets	26,081	33,242	**37,191**	38,757	38,961
Adjustment for pension obligations	5,235	5,449	**5,596**	5,745	5,910
Net Assets for Fiscal Policy Purposes [a]	31,316	38,691	**42,787**	44,502	44,871

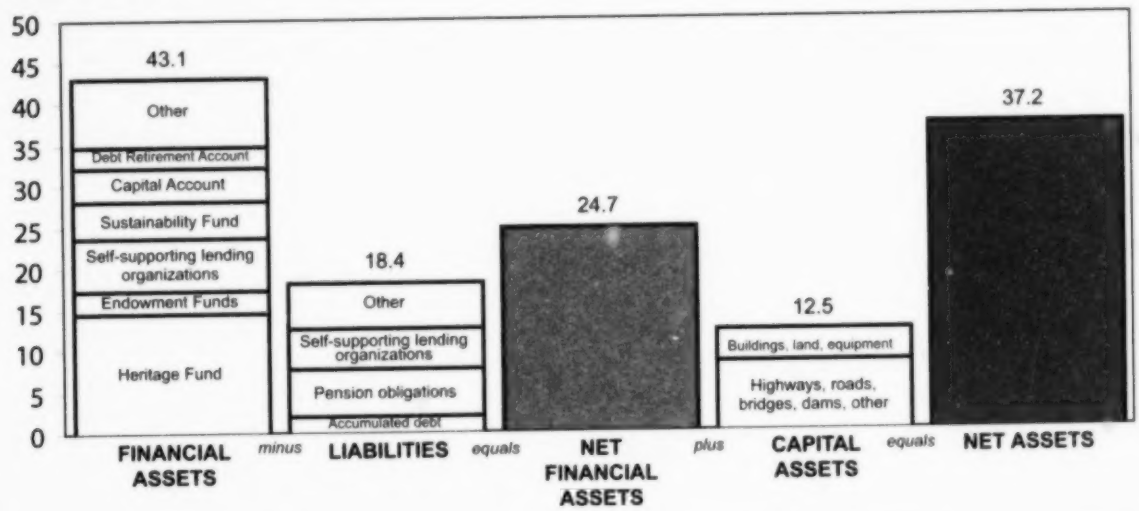
[a] Under the *Fiscal Responsibility Act*. Excludes pension obligations.

[b] Includes the Alberta Cancer Prevention Legacy Fund.

Estimate of Assets, Liabilities and Net Assets

at March 31, 2007

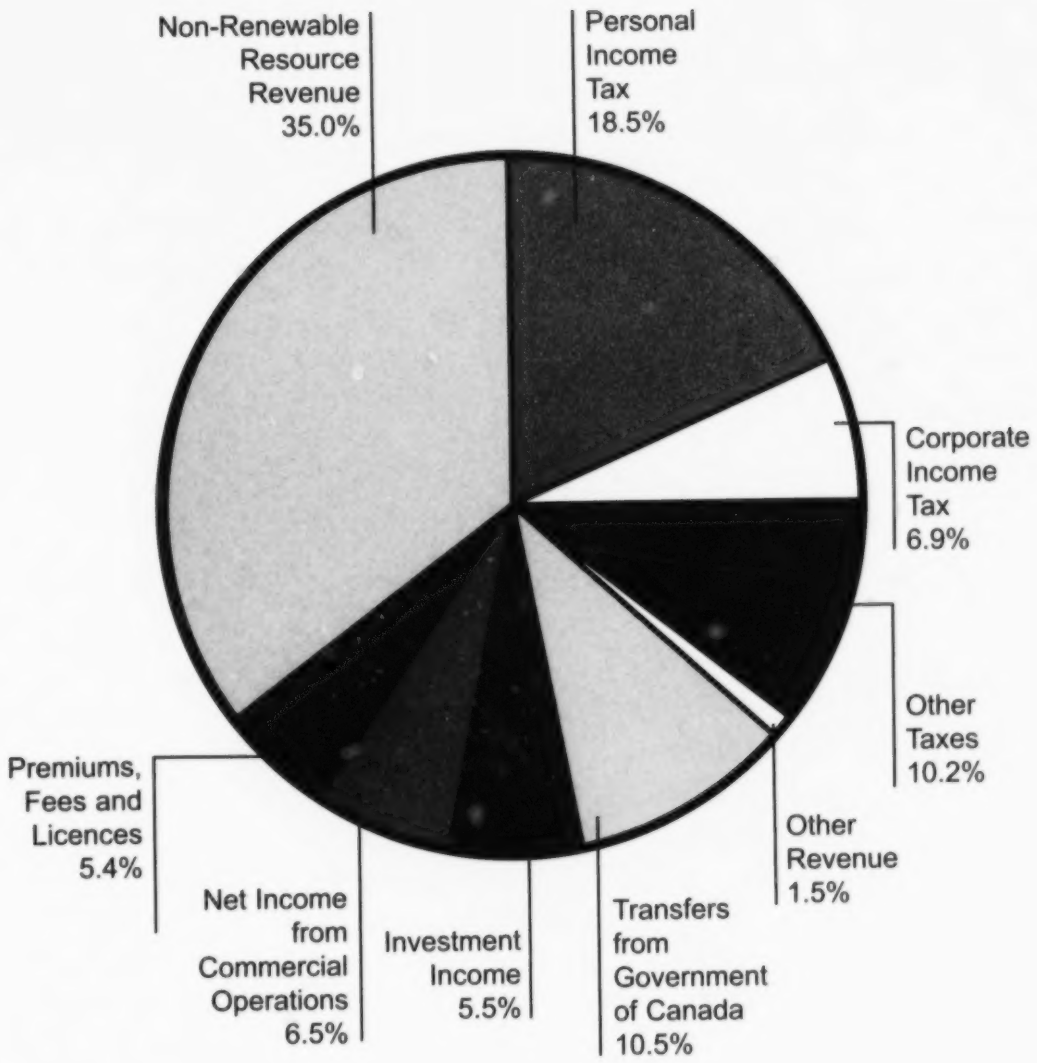
(billions of dollars)



Revenue

(millions of dollars)	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Income Taxes						
Personal income tax	4,649	5,199	5,897	**5,999**	6,423	6,867
Alberta 2005 Resource Rebate	-	-	(1,320)	**-**	-	-
Corporate income tax	2,364	2,278	2,596	**2,227**	2,131	2,188
	7,013	7,477	7,173	**8,226**	8,554	9,055
Other Taxes						
School property tax	1,247	1,273	1,284	**1,306**	1,356	1,410
Tobacco tax	698	735	723	**740**	755	770
Fuel tax	641	645	635	**643**	655	665
Freehold mineral rights tax	306	310	349	**386**	313	280
Insurance taxes	212	186	197	**195**	207	220
Hotel room tax/Tourism levy	61	50	50	**50**	51	53
	3,165	3,199	3,238	**3,320**	3,337	3,398
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	6,439	5,418	8,238	**7,146**	5,578	4,942
Crude oil royalty	1,273	923	1,447	**954**	798	685
Synthetic crude oil and bitumen royalty	718	393	1,184	**1,716**	1,712	1,351
Coal royalty	11	8	11	**11**	11	11
Bonuses and sales of Crown leases	1,252	886	3,440	**1,479**	1,293	1,191
Rentals and fees	153	145	155	**150**	150	148
Royalty tax credit	(102)	(93)	(113)	**(102)**	(94)	(90)
	9,744	7,680	14,362	**11,354**	9,448	8,238
Transfers from Government of Canada						
Health transfers	1,737	2,048	1,867	**1,888**	2,015	2,096
Canada Social Transfer	605	690	614	**678**	718	745
Agriculture support programs	506	355	227	**303**	302	300
Other	371	408	655	**529**	537	517
	3,219	3,501	3,363	**3,398**	3,572	3,658
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission						
Gaming and lottery revenue	1,260	1,202	1,291	**1,300**	1,315	1,236
Liquor revenue	567	560	570	**571**	581	592
Alberta Treasury Branches	187	162	195	**217**	242	278
Other	6	5	6	**6**	6	7
	2,020	1,929	2,062	**2,094**	2,144	2,113
Premiums, Fees and Licences						
Health care insurance premiums	918	875	903	**882**	897	913
Motor vehicle licences	285	291	298	**305**	313	321
Crop and hail insurance premiums	136	157	142	**124**	141	148
Timber rentals and fees	130	81	120	**81**	71	78
Land titles	47	50	54	**54**	57	60
Other	288	277	282	**306**	315	321
	1,804	1,731	1,799	**1,752**	1,794	1,841
Investment Income						
Alberta Heritage Savings Trust Fund	1,078	669	1,197	**874**	833	847
Alberta Capital Finance Authority	305	287	286	**275**	261	246
Agriculture Financial Services Corporation	81	86	84	**86**	91	97
Sustainability Fund	80	80	90	**125**	165	175
Debt Retirement Account	56	115	115	**89**	81	62
Endowment Funds						
Medical Research	73	37	93	**61**	68	80
Science and Engineering Research	29	20	51	**31**	35	39
Scholarship	21	13	37	**27**	28	29
Capital Account	28	28	55	**135**	165	95
Other	61	41	98	**64**	71	71
	1,812	1,376	2,106	**1,767**	1,798	1,741
Other						
Refunds of expense	123	82	99	**97**	97	97
Fines and penalties	73	72	72	**78**	78	78
Miscellaneous	355	299	327	**322**	297	291
	551	453	498	**497**	472	466
Total Revenue	29,328	27,346	34,601	**32,408**	31,119	30,510

2006-07 Revenue
$32.4 billion


Non-Renewable Resource Revenue 35.0%
Personal Income Tax 18.5%
Corporate Income Tax 6.9%
Other Taxes 10.2%
Other Revenue 1.5%
Transfers from Government of Canada 10.5%
Investment Income 5.5%
Net Income from Commercial Operations 6.5%
Premiums, Fees and Licences 5.4%

Expense by Ministry

(millions of dollars)

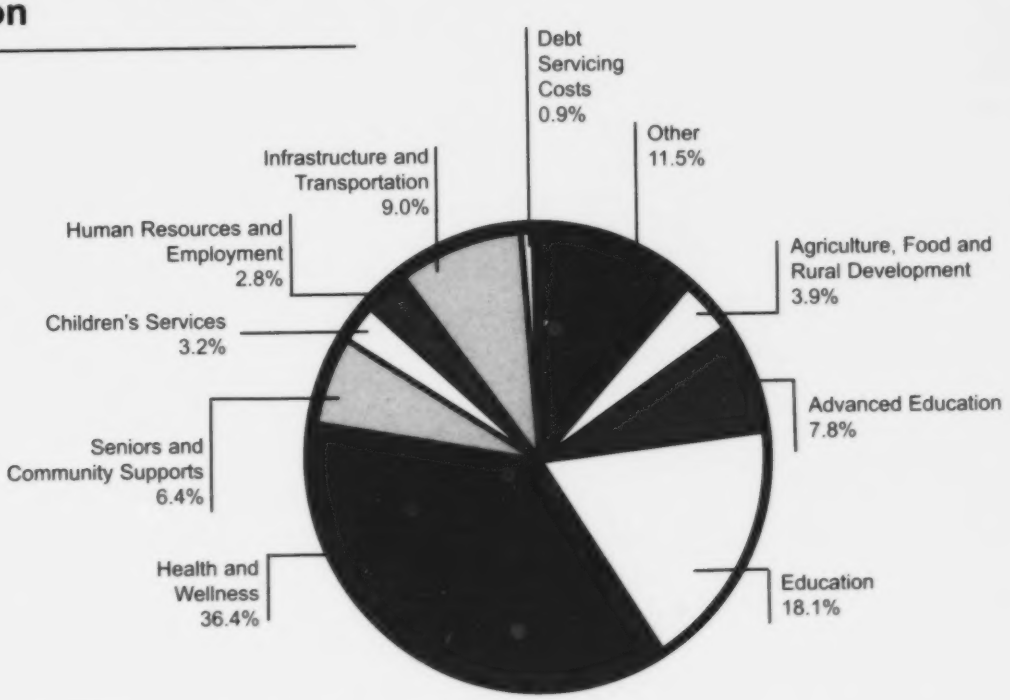
	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Program						
Legislative Assembly	72	70	69	**75**	77	93
Aboriginal Affairs and Northern Development	35	39	39	**44**	30	30
Advanced Education	1,663	1,761	1,845	**2,198**	2,498	2,515
Agriculture, Food and Rural Development	1,287	1,146	1,033	**1,093**	959	969
Children's Services	753	790	819	**918**	945	952
Community Development	186	231	282	**242**	209	210
Economic Development	69	92	91	**103**	106	108
Education	4,438	4,706	4,800	**5,127**	5,229	5,354
Energy	189	200	202	**219**	221	221
Environment	130	135	140	**143**	143	145
Executive Council	17	22	22	**25**	26	26
Finance	574	586	564	**596**	603	607
Gaming	196	169	243	**202**	247	247
Government Services	76	90	89	**99**	101	103
Health and Wellness	8,925	9,351	9,580	**10,315**	11,109	11,519
Human Resources and Employment	753	772	780	**789**	785	782
Infrastructure and Transportation	1,659	2,350	2,917	**2,548**	2,535	2,629
Innovation and Science	195	180	195	**181**	165	164
International and Intergovernmental Relations	8	10	10	**11**	10	10
Justice	279	310	313	**348**	356	357
Municipal Affairs	147	126	304	**139**	142	146
Restructuring and Government Efficiency	114	149	132	**147**	147	147
Seniors and Community Supports	1,417	1,627	1,767	**1,817**	1,816	1,866
Solicitor General and Public Security	355	402	413	**450**	463	463
Sustainable Resource Development	314	221	317	**238**	239	240
Total Program Expense	23,851	25,535	26,966	**28,067**	29,161	29,903
Debt Servicing Costs	302	291	260	**245**	243	238
Total Expense	24,153	25,826	27,226	**28,312**	29,404	30,141

Expense by Function

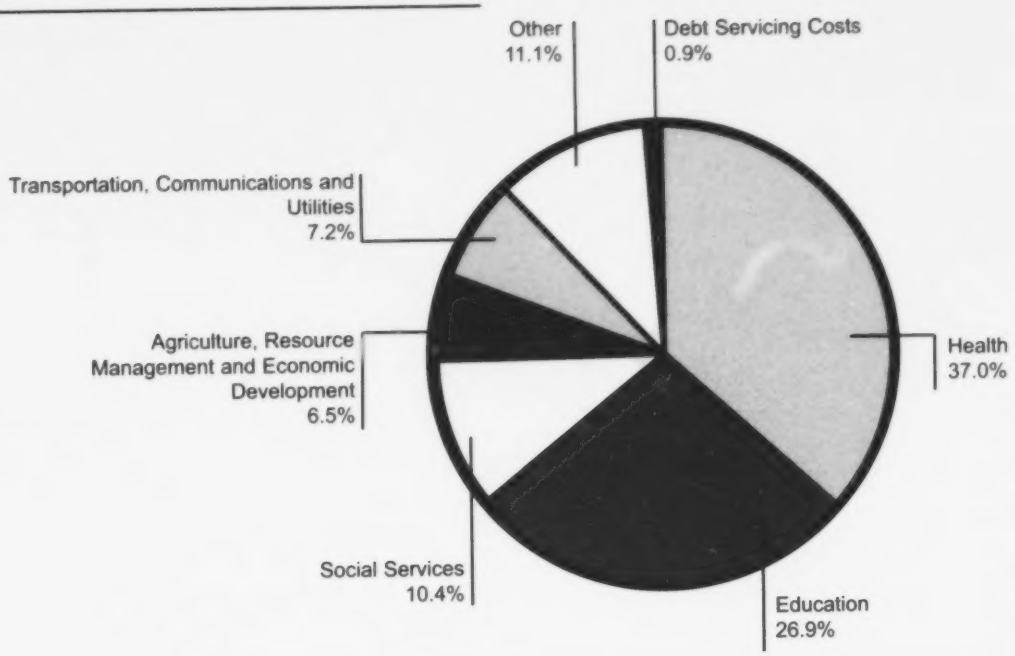
(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Health	9,059	9,493	9,717	**10,462**	11,263	11,682
Education	6,370	6,758	6,922	**7,628**	8,026	8,164
Social Services	2,438	2,656	2,737	**2,952**	3,041	3,095
Transportation, Communications and Utilities	1,226	1,904	2,434	**2,043**	2,020	2,118
Agriculture, Resource Management and Economic Development	1,929	1,822	1,793	**1,845**	1,752	1,772
Protection of Persons and Property	948	901	1,176	**999**	1,021	1,025
Regional Planning and Development	421	409	416	**410**	381	365
Recreation and Culture	278	313	362	**323**	290	291
Environment	185	191	197	**202**	202	205
Housing	159	178	287	**199**	136	136
General Government	838	910	925	**1,004**	1,029	1,050
Debt Servicing Costs	302	291	260	**245**	243	238
Total Expense	24,153	25,826	27,226	**28,312**	29,404	30,141

2006-07 Expense By Ministry
$28.3 billion



2006-07 Expense By Function
$28.3 billion



2006-07 Expense by Function Details

(millions of dollars)

	Health	Education	Social Services	Transportation[a]	Economic Development[b]	Protection of Persons and Property	Regional Planning and Development	Recreation and Culture	Environment	Housing	General Government	Debt Servicing Costs	Total Expense
Legislative Assembly	—	—	—	—	—	—	—	—	—	—	75	—	75
Aboriginal Affairs and Northern Development	—	—	—	—	—	—	44	—	—	—	—	—	44
Advanced Education	—	2,198	—	—	—	—	—	—	—	—	—	—	2,198
Agriculture, Food and Rural Development	—	—	—	—	1,093	—	—	—	—	—	—	48	1,141
Children's Services	—	—	918	—	—	—	—	—	—	—	—	—	918
Community Development	—	—	—	—	—	7	—	235	—	—	—	—	242
Economic Development	—	—	—	—	103	—	—	—	—	—	—	—	103
Education	—	5,127	—	—	—	—	—	—	—	—	—	ð	5,133
Energy	—	—	—	9	150	—	—	—	13	—	47	—	219
Environment	—	—	—	—	—	—	—	—	143	—	—	—	143
Executive Council	—	—	—	—	—	—	—	—	—	—	25	—	25
Finance	55	—	—	—	28	29	275	—	—	—	209	168	764
Gaming	—	—	—	—	114	—	—	88	—	—	—	—	202
Government Services	—	—	—	—	4	90	—	—	—	—	5	—	99
Health and Wellness	10,315	—	—	—	—	—	—	—	—	—	—	—	10,315
Human Resources and Employment	—	300	419	—	9	41	—	—	—	—	20	—	789
Infrastructure and Transportation	3	3	—	2,034	16	38	3	—	22	—	429	—	2,548
Innovation and Science	—	—	—	—	181	—	—	—	—	—	—	—	181
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	11	—	11
Justice	—	—	70	—	—	278	—	—	—	—	—	—	348
Municipal Affairs	—	—	—	—	—	15	88	—	—	—	36	—	139
Restructuring and Government Efficiency	—	—	—	—	—	—	—	—	—	—	147	—	147
Seniors and Community Supports	89	—	1,529	—	—	—	—	—	—	199	—	23	1,840
Solicitor General and Public Security	—	—	16	—	—	434	—	—	—	—	—	—	450
Sustainable Resource Development	—	—	—	—	147	67	—	—	24	—	—	—	238
Total Expense	**10,462**	**7,628**	**2,952**	**2,043**	**1,845**	**999**	**410**	**323**	**202**	**199**	**1,004**	**245**	**28,312**

[a] Transportation, Communications and Utilities.

[b] Agriculture, Resource Management and Economic Development.

2006-07 Expense by Object

(millions of dollars)

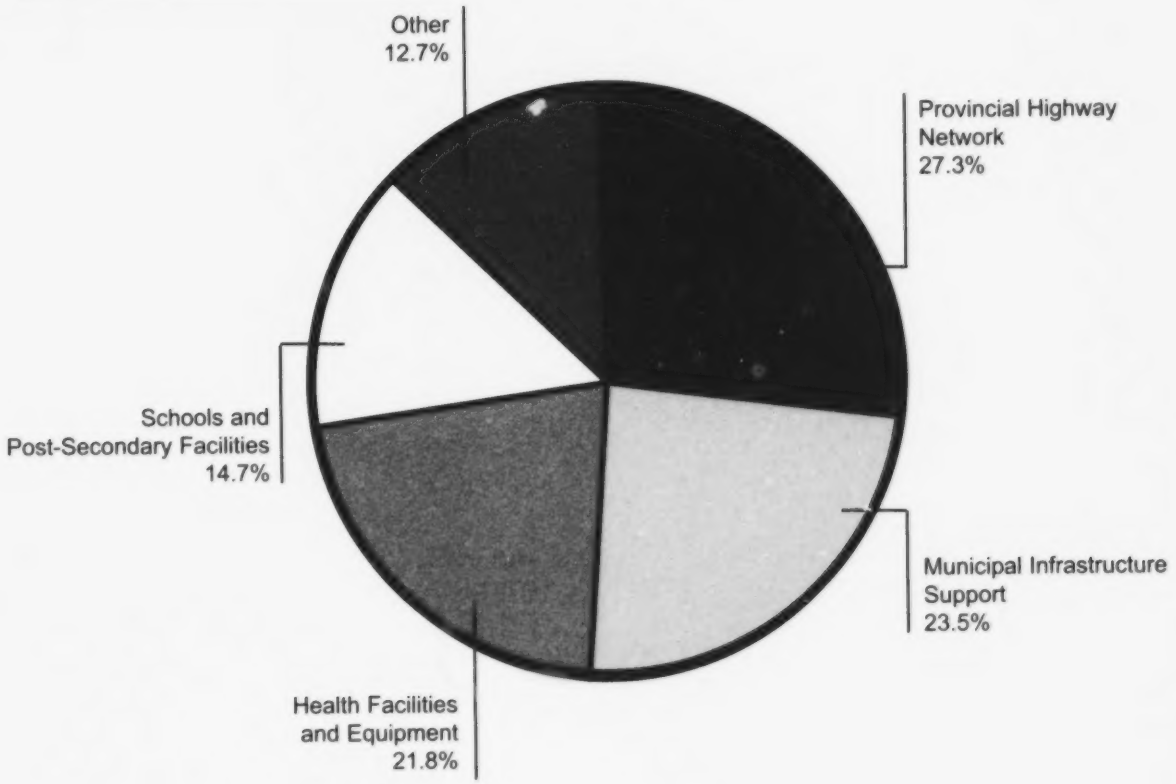
	Salaries, Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers	Financial Transactions and Other	Amortization of Capital Assets	Intra-Ministry Consolidation Adjustments	Ministry Expense	Inter-Ministry Consolidation Adjustments	Total Expense
Legislative Assembly	37	23	—	—	15	—	—	75	—	75
Aboriginal Affairs and Northern Development	9	7	28	—	—	—	—	44	—	44
Advanced Education	37	50	2,106	—	—	5	—	2,198	—	2,198
Agriculture, Food and Rural Development	126	63	223	337	719	10	(337)	1,141	—	1,141
Children's Services	187	603	127	653	—	1	(653)	918	—	918
Community Development	69	51	110	60	—	12	(60)	242	—	242
Economic Development	28	51	24	—	—	—	—	103	—	103
Education	59	90	4,977	—	6	1	—	5,133	—	5,133
Energy	128	61	14	55	—	16	(55)	219	—	219
Environment	71	46	6	—	—	20	—	143	—	143
Executive Council	20	5	—	—	—	—	—	25	—	25
Finance	92	337	120	2,426	297	7	(2,352)	927	(163)	764
Gaming	3	3	196	1,306	—	—	(197)	1,311	(1,109)	202
Government Services	42	51	—	—	—	6	—	99	—	99
Health and Wellness	115	177	9,934	92	42	47	(92)	10,315	—	10,315
Human Resources and Employment	148	129	506	—	3	3	—	789	—	789
Infrastructure and Transportation	130	524	1,484	—	98	315	—	2,551	(3)	2,548
Innovation and Science	53	57	71	44	—	2	(44)	183	(2)	181
International and Intergovernmental Relations	7	4	—	—	—	—	—	11	—	11
Justice	220	56	44	—	25	3	—	348	—	348
Municipal Affairs	30	20	87	—	—	2	—	139	—	139
Restructuring and Government Efficiency	80	140	—	—	—	31	—	251	(104)	147
Seniors and Community Supports	135	316	1,340	1,181	67	25	(1,181)	1,883	(43)	1,840
Solicitor General and Public Security	171	201	77	—	—	1	—	450	—	450
Sustainable Resource Development	136	75	15	28	1	11	(24)	242	(4)	238
Total Expense	**2,133**	**3,140**	**21,489**	**6,182**	**1,273**	**518**	**(4,995)**	**29,740**	**(1,428)**	**28,312**

Capital Plan

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target	2006-09 Total
Municipal infrastructure support	361	989	1,009	**1,014**	1,046	1,067	3,127
Provincial highway network	570	699	711	**1,074**	922	1,641	3,637
Health facilities and equipment	892	577	681	**748**	1,123	1,039	2,910
Schools	222	201	243	**339**	272	222	833
Post-secondary facilities	231	111	196	**278**	459	385	1,122
Community facilities and centennial projects	161	171	271	**121**	115	140	376
Water and wastewater management	101	90	153	**90**	109	78	277
Government facilities, housing and equipment	304	328	464	**345**	167	156	668
Capital for emergent projects	-	-	28	**172**	100	100	372
Total Capital Plan	2,842	3,166	3,756	**4,181**	4,313	4,828	13,322

2006-09 Capital Plan
$13.3 billion



Capital Plan Funding Details

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Support for Local Authorities' Capital						
Current-year revenue	676	716	759	**678**	570	229
Capital Account	1,209	1,274	1,795	**1,896**	2,451	2,587
Alternatively financed	-	26	-	**-**	-	-
Total Support for Local Authorities' Capital	1,885	2,016	2,554	**2,574**	3,021	2,816
Government-Owned Capital [a]						
Current-year revenue	524	632	625	**646**	681	774
Capital Account	433	435	494	**813**	495	1,238
Alternatively financed	-	83	83	**148**	116	-
Total Government-Owned Capital	957	1,150	1,202	**1,607**	1,292	2,012
Capital Plan						
Current-year revenue	1,200	1,348	1,384	**1,324**	1,251	1,003
Capital Account	1,642	1,709	2,289	**2,709**	2,946	3,825
Alternatively financed	-	109	83	**148**	116	-
Total Capital Plan	2,842	3,166	3,756	**4,181**	4,313	4,828

[a] Includes provincial highway planning and rehabilitation projects which are included in program expense.

Capital Account

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Assets at start of year	1,180	674	674	**4,243**	4,243	4,148
Allocations to Capital Account						
Current year use	1,136	1,709	2,289	**2,709**	2,851	1,977
Future year use	-	1,554	3,569	**-**	-	-
Total Allocations to Capital Account	1,136	3,263	5,858	**2,709**	2,851	1,977
Withdrawals						
Capital grants to local authorities	(1,209)	(1,274)	(1,795)	**(1,896)**	(2,451)	(2,587)
Government-owned capital investment	(433)	(435)	(494)	**(813)**	(495)	(1,238)
Total Withdrawals	(1,642)	(1,709)	(2,289)	**(2,709)**	(2,946)	(3,825)
Assets at End of Year	674	2,228	4,243	**4,243**	4,148	2,300

Capital Investment in Government-Owned Capital[a]

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Legislative Assembly	2	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Advanced Education	5	8	6	4	4	4
Agriculture, Food and Rural Development	13	8	14	10	13	11
Children's Services	2	-	3	4	2	2
Community Development	9	45	53	26	21	21
Economic Development	-	-	1	-	-	-
Education	1	5	4	4	1	1
Energy	16	13	13	18	18	18
Environment	5	3	3	3	2	2
Executive Council	-	-	-	-	-	-
Finance	7	6	6	6	6	6
Gaming	-	-	-	-	-	-
Government Services	6	10	9	11	11	10
Health and Wellness	46	74	69	76	62	62
Human Resources and Employment	3	4	4	4	4	4
Infrastructure and Transportation	648	823	870	1,280	1,009	1,637
Innovation and Science	5	4	9	6	6	6
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	3	1	1	22	4	4
Municipal Affairs	1	1	1	1	1	1
Restructuring and Government Efficiency	44	3	3	4	4	4
Seniors and Community Supports	1	1	1	1	1	1
Solicitor General and Public Security	-	-	-	-	1	1
Sustainable Resource Development	11	28	18	39	29	29
Total Capital Investment	828	1,037	1,088	1,519	1,199	1,824

[a] Includes inventory purchases. Not included in expense.

Grants to Local Authorities for Capital Purposes and Other Capital Support[a]

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Advanced Education	215	104	185	273	455	381
Agriculture, Food and Rural Development	24	27	34	29	29	29
Community Development	15	32	55	36	2	2
Education	222	201	243	339	272	222
Environment	12	1	6	1	1	1
Finance	4	4	4	4	4	4
Gaming	78	45	115	45	45	45
Health and Wellness	847	486	616	672	1,060	977
Infrastructure and Transportation	526	1,152	1,240	1,190	1,243	1,340
Innovation and Science	12	2	7	1	-	-
Municipal Affairs	3	3	3	3	3	3
Seniors and Community Supports	56	51	160	69	-	-
Total Support	2,014	2,108	2,668	2,662	3,114	3,004

[a] Included in program expense. Includes provincial highway planning and rehabilitation.

Capital Amortization for Government-Owned Capital[a]

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Advanced Education	1	5	5	5	5	5
Agriculture, Food and Rural Development	8	8	9	10	10	10
Children's Services	1	1	1	1	2	2
Community Development	10	11	11	12	13	15
Economic Development	-	-	-	-	-	-
Education	1	1	1	1	1	1
Energy	14	15	15	16	16	16
Environment	18	20	20	20	21	22
Executive Council	-	-	-	-	-	-
Finance	6	7	7	7	8	7
Gaming	-	-	-	-	-	-
Government Services	2	4	3	6	7	9
Health and Wellness	36	29	36	47	50	53
Human Resources and Employment	3	3	3	3	3	3
Infrastructure and Transportation	267	315	315	315	326	327
Innovation and Science	3	3	2	2	3	3
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	2	3	3	3	8	8
Municipal Affairs	2	2	2	2	3	2
Restructuring and Government Efficiency	7	35	18	31	31	31
Seniors and Community Supports	24	25	25	25	25	25
Solicitor General and Public Security	-	-	-	1	1	1
Sustainable Resource Development	7	11	11	11	12	13
Total Capital Amortization	412	498	487	518	545	553

[a] Includes inventory consumption.

Comparison of the Capital Plan and Capital Expense

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Capital Plan						
Capital grants to local authorities	1,885	1,990	2,554	2,574	3,021	2,816
Value of local authorities' alternatively financed projects	-	26	-	-	-	-
Provincial highway planning and rehabilitation	129	113	114	88	93	188
Capital investment in government-owned projects	828	1,037	1,088	1,519	1,199	1,824
Total Capital Plan	2,842	3,166	3,756	4,181	4,313	4,828
Expense for Capital Purposes [a]						
Capital grants to local authorities	1,885	1,990	2,554	2,574	3,021	2,816
Capital financing grants to local authorities	-	5	-	-	-	-
Provincial highway planning and rehabilitation	129	113	114	88	93	188
Amortization of government-owned projects	412	498	487	518	545	553
Nominal sum disposals	23	30	32	57	59	54
Total Expense for Capital Purposes	2,449	2,636	3,187	3,237	3,718	3,611

[a] Included in program expense.

Sustainability Fund Details

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Assets at start of year	2,500	3,498	3,498	**4,083**	4,408	4,747
Transfers to (withdrawals from) Sustainability Fund						
Non-renewable resource revenue transfer from general revenue	5,744	2,930	9,612	**6,054**	4,148	2,938
Other net transfers	1,621	34	2,056	-	-	-
Cost of Alberta 2005 Resource Rebates	-	-	(1,320)	-	-	-
Withdrawals for disaster/emergency/natural gas rebates	(981)	(418)	(1,178)	**(362)**	(282)	(282)
Net transfers (withdrawals)	6,384	2,546	9,170	**5,692**	3,866	2,656
Adjustments						
Cash adjustments	(1)	517	(350)	**(464)**	101	(41)
Retained income of funds and agencies	(333)	(133)	(428)	**(282)**	(318)	(369)
Fourth quarter results						
Cash transferred from previous year	510	-	696	-	-	-
Cash to be transferred following year	(696)	-	-	-	-	-
Assets transferred to Capital Account for current year use						
Capital grants	(1,136)	(1,274)	(1,795)	**(1,896)**	(2,451)	(1,977)
Capital investment	-	(435)	(494)	**(813)**	(400)	-
Total adjustments	(1,656)	(1,325)	(2,371)	**(3,455)**	(3,068)	(2,387)
Assets prior to reallocation	7,228	4,719	10,297	**6,320**	5,206	5,016
Allocation to:						
Debt Retirement Account	(3,730)	-	-	-	-	-
Capital Account - future year use	-	(1,554)	(3,569)	-	-	-
Heritage Fund - deposit	-	-	(1,000)	**(1,000)**	-	-
Heritage Fund - inflation proofing	-	(215)	(345)	**(242)**	(309)	(300)
Advanced education endowment (in the Heritage Fund)	-	(250)	(750)	-	-	-
Scholarship Fund	-	-	(250)	**(20)**	-	-
Medical Research Endowment Fund	-	(200)	(200)	**(150)**	(150)	-
Science and Engineering Endowment Fund	-	-	(100)	-	-	-
Alberta Cancer Prevention Legacy Fund	-	-	-	**(500)**	-	-
Assets at End of Year	3,498	2,500	4,083	**4,408**	4,747	4,716
Assets at end of year above $2.5 billion target	998	-	1,583	**1,908**	2,247	2,216

Cash Adjustments

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Energy royalties	(154)	608	(151)	**(419)**	173	43
Student loans	(21)	(43)	(27)	**(22)**	(25)	(33)
Other	174	(48)	(172)	**(23)**	(47)	(51)
Total Cash Adjustments	(1)	517	(350)	**(464)**	101	(41)

Retained Income of Funds and Agencies

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Alberta Treasury Branches	187	162	195	**217**	242	278
Agriculture Financial Services Corporation	88	(2)	134	**58**	63	74
Endowment Funds						
Medical Research	23	(18)	43	**6**	8	15
Science and Engineering Research	16	(3)	33	**3**	-	(4)
Scholarship	(2)	(11)	14	**2**	1	2
Alberta Cancer Prevention Legacy Fund	-	-	-	**(10)**	(5)	(5)
Other	21	5	9	**6**	9	9
Total Retained Income of Funds and Agencies	333	133	428	**282**	318	369

Capital Investment Cash Requirements

(millions of dollars)

	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Capital Investment Cash Requirements						
Capital investment	828	1,037	1,088	**1,519**	1,199	1,824
Principal repayment for alternatively financed projects	-	-	-	**-**	2	5
Total Requirements	828	1,037	1,088	**1,519**	1,201	1,829
Sources of Cash for Investments						
Capital amortization	412	498	487	**518**	545	553
Net book value of capital asset disposals/other	29	21	24	**40**	45	38
Alternatively financed capital investment	-	83	83	**148**	116	-
Funding from Capital Account	433	435	494	**813**	495	1,238
Total Sources	874 [a]	1,037	1,088	**1,519**	1,201	1,829

[a] The $46 million difference between sources and requirements was transferred to the Sustainability Fund.

Balance Sheet Details

(millions of dollars)

	At March 31				
	2005 Actual	2006 Forecast	2007 Estimate	2008 Target	2009 Target
Financial Assets					
Total Heritage Fund equity	11,362	13,457	**14,699**	15,007	15,308
Less internal holdings of debt [a]	(88)	(81)	**-**	-	-
Heritage Fund external investments	11,274	13,376	**14,699**	15,007	15,308
Endowment funds					
Alberta Heritage Foundation for Medical Research	871	1,114	**1,270**	1,427	1,442
Alberta Heritage Science and Engineering Research	538	671	**673**	673	669
Alberta Heritage Scholarship	249	514	**535**	537	539
Alberta Cancer Prevention Legacy Fund	-	-	**490**	485	480
Sustainability Fund	3,498	4,083	**4,408**	4,747	4,716
Capital Account	674	4,243	**4,243**	4,148	2,300
Debt Retirement Account	3,479	2,214	**2,041**	1,792	1,166
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,399	4,413	**4,654**	4,824	5,057
Agriculture Financial Services Corporation	1,638	1,521	**1,670**	1,763	1,837
Other financial assets					
Equity in commercial enterprises	1,461	1,661	**1,884**	2,132	2,418
Contingency Allowance [b]	-	-	**300**	600	900
Student loans	126	138	**148**	155	164
Other cash, marketable securities and accounts receivable	5,640	5,721	**6,135**	6,029	6,232
Total Financial Assets	33,847	39,669	**43,150**	44,319	43,228
Liabilities					
Accumulated debt					
General Revenue Fund	3,722	2,614	**2,621**	2,457	1,882
Alberta Social Housing Corporation	481	439	**330**	307	284
School construction loans	451	381	**316**	256	204
Less: General Revenue Fund holdings of provincial corporations' debt	(1,179)	(1,224)	**(1,230)**	(1,232)	(1,208)
Accumulated debt	3,475	2,210	**2,037**	1,788	1,162
Pension obligations	5,235	5,449	**5,596**	5,745	5,910
Self-supporting lending organizations					
Alberta Capital Finance Authority	4,399	4,413	**4,654**	4,824	5,057
Agriculture Financial Services Corporation	1,425	1,221	**1,293**	1,323	1,324
Less debt internally held by consolidated entities	(896)	(963)	**(1,012)**	(1,037)	(1,034)
Liabilities for government-owned capital	8	83	**231**	345	340
Other liabilities					
Accounts and interest payable	4,973	5,405	**5,419**	5,434	5,597
Guarantees, indemnities and remissions	20	35	**37**	40	40
Other accrued liabilities	170	173	**176**	179	182
Less other debt internally held by consolidated entities	(122)	(99)	**(11)**	(9)	(8)
Total Liabilities	18,687	17,927	**18,420**	18,632	18,570
Net Financial Assets	15,160	21,742	**24,730**	25,687	24,658
Capital assets	10,921	11,500	**12,461**	13,070	14,303
Net Assets	26,081	33,242	**37,191**	38,757	38,961
Adjustment for pension obligations	5,235	5,449	**5,596**	5,745	5,910
Net Assets for Fiscal Policy Purposes [c]	31,316	38,691	**42,787**	44,502	44,871

[a] $81 million of Alberta Social Housing Corporation debt held by the Heritage Fund is being fully re-paid in 2006-07.
[b] Cumulative total of Contingency Allowance available for in-year initiatives but not yet committed.
[c] Under the *Fiscal Responsibility Act*. Excludes pension obligations.

Accumulated Debt

(millions of dollars)

	2004-05 Actual	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Accumulated debt at start of year	4,971	3,475	**2,210**	2,037	1,788
Repayment of debt maturities	(1,496)	(1,265)	**(173)**	(249)	(626)
Accumulated debt at end of year	3,475	2,210	**2,037**	1,788	1,162
Less: Debt Retirement Account	3,479	2,214	**2,041**	1,792	1,166
Accumulated Debt less Debt Retirement Account [a]	(4)	(4)	**(4)**	(4)	(4)

[a] The assets in the Debt Retirement Account are expected to exceed unmatured accumulated debt by $4 million.

Capital Assets

(millions of dollars)

	2004-05 Actual	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Net book value at start of year	10,534	10,921	**11,500**	12,461	13,070
Capital investment	828	1,088	**1,519**	1,199	1,824
Capital amortization	(412)	(487)	**(518)**	(545)	(553)
Net book value of capital asset disposals	(29)	(22)	**(40)**	(45)	(38)
Net Book Value of Capital Assets at End of Year	10,921	11,500	**12,461**	13,070	14,303

Pension Obligations[a]

(millions of dollars)

	At March 31				
	2005 Actual	2006 Forecast	2007 Estimate	2008 Target	2009 Target
Obligations for Employees of Organizations outside the Government Reporting Entity					
Teachers' Pension Plans	4,263	4,424	**4,582**	4,744	4,927
Universities Academic Pension Plan	185	191	**196**	201	206
Special Forces Pension Plan	63	63	**64**	66	67
	4,511	4,678	**4,842**	5,011	5,200
Obligations for Current and Former Government Employees and MLAs					
Public Service Management Pension Plan [b]	656	678	**652**	622	589
Members of the Legislative Assembly Pension Plan [b]	47	50	**48**	47	45
Management Employees Pension Plan	13	28	**39**	50	61
Public Service Pension Plan	8	15	**15**	15	15
	724	771	**754**	734	710
Total Pension Obligations	5,235	5,449	**5,596**	5,745	5,910

[a] Pension obligations are scheduled for elimination under a 1993 legislated plan.

[b] Membership closed and pensionable service no longer being accrued.

Debt Servicing Costs

(millions of dollars)	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Agriculture, Food and Rural Development						
Agriculture Financial Services Corporation	45	53	45	**48**	52	56
Education						
Alberta School Foundation Fund	3	4	4	**6**	6	7
Finance						
General government	229	210	187	**168**	155	137
Infrastructure and Transportation						
Financing costs for government-owned capital (P3s)	-	-	-	**-**	8	18
Seniors and Community Supports						
Alberta Social Housing Corporation	25	24	24	**23**	22	20
Total Debt Servicing Costs	302	291	260	**245**	243	238

General Revenue Fund Term Debt Maturities[a]

	Par Amount (Cdn$ millions)	Coupon Rate (%)	Maturity Date
2006-07 Term Debt Maturities	NO GENERAL REVENUE FUND TERM DEBT MATURITIES		
2007-08 Term Debt Maturities			
1999 Canadian medium-term note	166	5.65	October 1, 2007
Total	**166**		
2008-09 Term Debt Maturities			
1998 Canadian medium-term note	50	5.80	June 5, 2008
1998 Canadian debenture	500	5.00	December 16, 2008
Total	**550**		
2009-10 Term Debt Maturities	NO GENERAL REVENUE FUND TERM DEBT MATURITIES		
2010-13 Term Debt Maturities			
1991 Canada Pension Plan debenture	202	10.45	March 1, 2011
1992 Canada Pension Plan debenture	281	9.92	March 2, 2012
1993 Canada Pension Plan debenture	196	9.37	March 1, 2013
Total	**679**		

a Does not include principal repayment on General Revenue Fund notes on-lent to provincial corporations (Alberta Financial Services Corporation and Alberta Social Housing Corporation). There is no more General Revenue Fund debt left after March 1, 2013. Other components of accumulated debt include:
- Alberta Social Housing Corporation debt of $439 million, $173 million of which remains to be repaid from 2013-2030.
- School construction loans of $381 million, $66 million of which remains to be repaid from 2013-2020.

The Debt Retirement Account has assets to repay all these amounts.

Net Financing Requirements[a]

(millions of dollars)	2004-05 Actual	2005-06 Budget	2005-06 Forecast	2006-07 Estimate	2007-08 Target	2008-09 Target
Requirements						
General Revenue Fund term debt maturities	1,443	1,153	1,153	**-**	166	550
School construction loans	75	70	70	**65**	60	52
Alberta Social Housing Corporation [b]	25	26	42	**108**	23	23
Adjustments	(47)	-	-	**-**	-	-
Accumulated debt maturities	1,496	1,249	1,265	**173**	249	625
Agriculture Financial Services Corporation's term borrowing	120	180	141	**200**	130	180
Gross financing requirements	1,616	1,429	1,406	**373**	379	805
Cash applied to accumulated debt repayment	1,496	1,249	1,265	**173**	249	625
Net Term Debt Financing Requirements	120	180	141	**200**	130	180

a Does not include alternatively financed requirements for government-owned capital projects in 2005-06, 2006-07 and 2007-08.
b $81 million of Alberta Social Housing Corporation debt held by the Heritage Fund is being fully re-paid in 2006-07.

Loans and Advances[a]

(millions of dollars)

	At March 31	
	2005 Actual	2006 Forecast
Loans and Advances		
Agriculture Financial Services Act	995	1,087
Student Financial Assistance Act	225	224
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	184	190
Vencap Acquisition Corporation	2	2
Farm Credit Stability Act	14	8
Alberta Housing Act	30	20
Financial Administration Act		
Accountable advances	8	8
Board of Governors, University of Alberta	1	-
	1,459	1,539
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(92)	(99)
Student Loan Relief Completion Payments	(73)	(56)
Other	(69)	(71)
	(234)	(226)
Total Loans and Advances	1,225	1,313

[a] When a loan is considered impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

Guarantees

(millions of dollars)

	At March 31	
	2005 Actual	2006 Forecast
Guarantees		
Student Financial Assistance Act	30	22
Alberta Housing Act	32	31
Feeder Associations	49	49
Agriculture Financial Services Act	35	30
Farm Credit Stability Act	15	9
Securities Act	2	2
Centre for Engineering Research Inc.	1	-
University of Calgary	1	1
Canadian Western Bank	-	2
	165	146
Estimated Liability		
Loan guarantees	(11)	(12)
Student Loan Relief Completion Payments	(1)	-
Canadian Western Bank	-	(1)
	(12)	(13)
Total Guarantees	153	133

2006-07 Allocation of Lottery Fund Revenue

(thousands of dollars)

Lottery Fund Revenue [a]	**1,306,155**
Advanced Education	
Post-secondary facilities infrastructure	16,000
Community education	15,600
Achievement scholarships	3,100
Learning television	2,300
Agriculture, Food and Rural Development	
Agriculture initiatives	11,620
Agricultural service boards	10,600
Children's Services	
Family and Community Support Services	45,000
Prevention of Family Violence and Bullying	4,500
Community Development	
Centennial grants	35,000
Alberta Foundation for the Arts	22,084
Alberta Sport, Recreation, Parks and Wildlife Foundation	20,470
Wild Rose Foundation	8,116
Alberta Historical Resources Foundation	7,787
Human Rights, Citizenship and Multiculturalism Education Fund	1,465
Hosting major athletic events	500
Economic Development	
Alberta Film Development Program	14,850
Education	
Public and separate schools support	60,800
School facilities infrastructure	58,000
High speed network	8,000
Learning television	2,300
Environment	
Educational awareness	500
Gaming	
Horse racing and breeding renewal grant program	63,000
Community Facility Enhancement Program	38,500
Community Initiatives Program	30,000
First Nations Development Fund grant program	20,000
Edmonton Northlands	10,350
Calgary Exhibition and Stampede	10,350
Bingo associations grant program	10,000
Major fairs and exhibitions	2,660
Gaming research	1,600
Other initiatives	11,088
Health and Wellness	
Health facilities infrastructure	150,000
Human tissue and blood services	110,000
Alberta Alcohol and Drug Abuse Commission	82,803
Community-based health services	20,000
Human Resources and Employment	
Summer Temporary Employment Program	8,195
Immigrant Support Services	4,574
Infrastructure and Transportation	
Provincial highway rehabilitation	55,000
Rural transportation partnerships	40,000
Water for Life	25,000
Alberta cities transportation partnerships	25,000
Streets Improvement Program	25,000
Infrastructure Canada - Alberta Program	5,000
Innovation and Science	
Research capacity	21,914
Energy research	19,200
Life sciences research	14,405
Information and communications technology research	11,438
Municipal Affairs	
Unconditional municipal grants	14,000
Municipal sponsorship	12,000
Finance	
Transfer to Contingency Allowance	116,486
Total Lottery Fund Allocation	**1,306,155**

[a] Includes $6 million of investment income.

Full-Time Equivalent Employment

	2005-06 Budget	2006-07 Estimate	Change
Legislative Assembly	446	**447**	1
Aboriginal Affairs and Northern Development	90	**95**	5
Advanced Education	428	**491**	63
Agriculture, Food and Rural Development	1,726	**1,668**	(58)
Children's Services	2,641	**2,696**	55
Community Development	921	**923**	2
Economic Development	219	**228**	9
Education	691	**696**	5
Energy	1,445	**1,502**	57
Environment	804	**804**	-
Executive Council	177	**187**	10
Finance	932	**980**	48
Gaming	42	**42**	-
Government Services	500	**555**	55
Health and Wellness	1,384	**1,441**	57
Human Resources and Employment	1,808	**1,861**	53
Infrastructure and Transportation	1,742	**1,763**	21
Innovation and Science	697	**697**	-
International and Intergovernmental Relations	61	**61**	-
Justice	2,313	**2,506**	193
Municipal Affairs	337	**348**	11
Restructuring and Government Efficiency	1,157	**1,154**	(3)
Seniors and Community Supports	2,026	**2,072**	46
Solicitor General and Public Security	2,310	**2,473**	163
Sustainable Resource Development	1,914	**1,914**	-
Total Full-Time Equivalent Employment	26,811	**27,604**	793

Premiums, Fees and Licences Changes

	2005-06	2006-07
Community Development		
Jubilee Auditoria		
Non-Commercial/Non-Profit Clients		
Rental Rates (fee varies depending on day of week)		
Single performance	$2,250 - $3,900	$2,500 - $4,300
Two performances - same day	$2,750 - $5,500	$3,000 - $6,000
House strip/restore	$600	$700
Ticket surcharge	$1.00	$1.50
Provincial Camping Fees		
Backcountry and basic camping	$3 - $17	$5 - $20
Camping services	Up to $3	Up to $5
Group camping and day use	$25 - $130	$35 - $250 minimum
Reservation	Up to $6 + first night	Up to $8 + first night
Commercial Guiding and Special Event Permits		
(fee varies depending on group size)		
Commercial guiding permit/special event permits	No fee - $53.50	$60 - $500
Use of Park Land		
Application fee	No fee - $50	$25 - $375
Amendment fee	No fee	$50 - $175
Annual rental fee per acre	No fee - $400	$25 - $600
Hay permit fee per ton	$3	$15
Inspection, follow-up and certification fees	No fee - $100	$250 - $300
Licence of occupation		
Roadways	$2.44/km - $6.09/km	$10/km - $20/km
Various	No fee - $100	$50 - $150
Mineral surface lease and pipeline assignments	$50 - $100 + $10 per quarter section	$100 - $250 + $25 per quarter section
Mineral surface lease - timber damage fee	No fee	$500
Pipeline installation fee per acre	$50 - $100	$100 - $250
Summer cabin river/lake frontage fee per foot	$2	$3
Environment		
Reclamation certificate		
Education program fee	$300	-
New reclamation certificate application fee	-	$700
Finance		
Alberta Securities Commission		
Various fees	Approximately 8% increase	
Department		
International Fuel Tax Agreement decal	$5	$10
International Fuel Tax Agreement fee	$10	$15
Various insurance company licencing fees	$25 - $400	$100 - $600
Government Services		
Residential tenancy dispute resolution service		
Application fee	No fee	$75

Major Provincial Tax Rates, 2006

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
– lowest rate	(%)	10.00	6.05	11.00	10.90	6.05	16.00[a]	9.68	8.79	9.80	10.57
– highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	17.84	17.50	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Credit amounts											
– Personal amount	($)	14,899	8,858	8,589	7,734	8,377	6,520	8,061	7,231	7,412	7,410
– Spousal amount	($)	14,899	7,585	8,589	6,482	7,113	6,520	6,845	6,140	6,294	6,055
Corporate Income Tax											
General rate	(%)	10.0	12.0	17.0	14.5	14.0	9.9	13.0	16.0	16.0	14.0
M&P rate	(%)	10.0	12.0	10-17[b]	14.5	12.0	9.9	13.0	16.0	16.0	5.0
Small business											
– rate	(%)	3.0	4.5	5.0	4.5	5.5	8.5	2.0	5.0	6.5	5.0
– threshold	($000)	400	400	300	400	400	400	450	350	300	300
Capital Tax											
General	(max.%)	—	—	0.60	0.50	0.30	0.525	0.25	0.275	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.30[c]	3.00	4.00	5.00	4.00
Retail Sales Tax	(%)	—	7.0	7.0	7.0	8.0	7.5[d]	8.0	8.0	10.0[d]	8.0
Gasoline Tax	(¢/litre)	9.0	14.5[e]	15.0	11.5	14.7	15.2[e,f]	14.5[f]	15.5[f]	20.7[e]	16.5[f]
Tobacco Tax	($/carton)	32.00	35.80	35.00[f]	35.00[f]	24.70	20.60	23.50[f]	31.04[f]	34.90	34.00[f]
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26[h]	—	—	—	2.00

Rates for other provinces known as of February 23, 2006.

[a] Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

[b] The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[c] The Quebec financial institutions capital tax includes the base rate of 1.05% and a compensatory tax of 0.25%.

[d] These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.

[e] An additional 6¢/litre is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.

[f] These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.

[g] This rate is based on an 11.5 ¢/litre base rate and 10.7% of the average wholesale price and is recalculated on a monthly basis.

[h] Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2003-04 Actual	2004-05 Actual	2005-06	2006-07	2007-08	2008-09
Prices						
Crude Oil Price						
WTI (US$/bbl)	31.38	45.03	60.00	50.00	45.00	42.50
Alberta Wellhead (Cdn$/bbl)[a]	36.40	48.23	63.37	50.47	46.02	43.27
Bitumen @ Edmonton (Cdn$/bbl)[b]	23.20	25.67	29.97	26.00	24.46	23.41
Natural Gas Price						
Alberta Reference Price (Cdn$/GJ)	5.45	6.05	8.40	7.50	6.50	6.25
Production						
Conventional crude oil (000's barrels/day)	619	589	561	529	517	508
Non-conventional crude oil (000's barrels/day)	882	989	1,093	1,281	1,399	1,520
Natural gas (billions of cubic feet)	5,226	5,253	5,236	5,211	5,132	5,070
Interest rates						
3-month Canada treasury bills (per cent)	2.70	2.28	2.95	3.95	4.50	4.50
10-year Canada bonds (per cent)	4.68	4.54	4.10	4.95	5.80	6.00
Exchange Rate (US¢/Cdn$)	74.0	78.4	84.0	85.8	85.0	85.0

Calendar Year Assumptions	2004 Actual	2005 Actual	2006	2007	2008	2009
Gross Domestic Product						
Nominal (millions of dollars)	187,150	211,520[c]	228,817	230,477	238,262	251,144
per cent change	9.3	13.0	8.2	0.7	3.4	5.4
Real (millions of 1997 dollars)	135,837	141,610[c]	148,358	153,493	158,723	164,540
per cent change	4.3	4.3	4.8	3.5	3.4	3.7
Other Indicators						
Employment (thousands)	1,757.5	1,784.4	1,824.0	1,864.5	1,905.1	1,946.9
per cent change	2.4	1.5	2.2	2.2	2.2	2.2
Unemployment rate (per cent)	4.6	3.9	3.9	3.9	3.9	3.9
Housing starts (number of units)	36,270	40,847	40,164	37,606	36,390	35,567
Alberta Consumer Price Index (per cent change)	1.4	2.1	2.4	2.2	2.2	2.2
Population (thousands)	3,204.8	3,256.8	3,316.3	3,375.1	3,432.4	3,488.0
per cent change	1.4	1.6	1.8	1.8	1.7	1.6

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.
b The bitumen price is an estimate of the price at Edmonton and is not an actual market price.
c Estimated.

Sensitivities to Fiscal Year Assumptions, 2006-07[a]

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-123	—	-123
Natural Gas Price (Cdn$/GJ)	-10¢	-104	—	-104
Exchange Rate (US¢/Cdn$)	+1¢	-172	—	-172
Interest Rates	+1%	-200	+5	-205

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

Historical Fiscal Summary, 1987-88 to 2008-09[a]

(millions of dollars)

		A 1987-88	B 1988-89	C 1989-90	D 1990-91	E 1991-92	F 1992-93	G 1993-94	H 1994-95	I 1995-96	J 1996-97	K 1997-98	L 1998-99	M 1999-00	N 2000-01	O 2001-02	P 2002-03	Q 2003-04	R 2004-05	S 2005-06 Forecast	T 2006-07 Estimate	U 2007-08 Target	V 2008-09 Target
INCOME STATEMENT																							
	Revenue																						
1	Personal income tax [b]	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,183	4,834	4,613	4,649	4,577	5,999	6,423	6,867
2	Corporate income tax	595	697	700	803	731	637	854	1,073	1,332	1,407	1,849	1,659	1,255	2,023	2,229	2,019	1,696	2,364	2,596	2,227	2,131	2,188
3	School property tax	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,094	1,113	1,178	1,247	1,284	1,306	1,356	1,410
4	Other tax revenue	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,386	1,469	1,633	1,838	1,918	1,954	2,014	1,981	1,988
5	Resource revenue	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	6,227	7,130	7,676	9,744	14,362	11,354	9,448	8,238
6	Investment income	1,847	1,834	1,891	2,125	2,155	1,711	1,837	1,567	1,724	1,616	1,747	1,610	1,906	1,353	788	(462)	1,838	1,812	2,106	1,767	1,798	1,741
7	Other own-source revenue	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,431	2,473	2,890	2,950	3,183	3,272	3,672	4,321	4,122	4,375	4,359	4,343	4,410	4,420
8	Total own-source revenue	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,767	15,301	16,571	15,484	18,463	23,714	19,662	20,588	22,961	26,109	31,238	29,010	27,547	26,852
9	Federal transfers	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,264	2,074	2,926	3,219	3,363	3,398	3,572	3,658
10	Total Revenue	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,515	16,652	17,754	16,819	20,103	25,527	21,926	22,662	25,887	29,328	34,601	32,408	31,119	30,510
	Expense by Function [c]																						
11	Health	3,114	3,372	3,631	3,895	4,129	4,352	4,194	3,928	3,773	4,006	4,401	4,660	5,341	5,946	6,846	6,917	7,646	9,059	9,717	10,462	11,263	11,682
12	Basic / advanced education	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	6,099	5,461	5,854	6,370	6,922	7,628	8,026	8,164
13	Social services	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,942	2,108	2,272	2,438	2,737	2,952	3,041	3,095
14	Other program expense	5,137	5,077	5,328	5,741	5,501	6,031	5,172	4,301	3,739	3,446	3,727	3,885	4,612	5,200	5,184	5,567	5,708	5,984	7,590	7,025	6,831	6,962
15	Total program expense	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,681	12,701	13,773	14,346	16,356	17,976	20,071	20,053	21,480	23,851	26,966	28,067	29,161	29,903
16	Debt servicing costs	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	774	476	271	302	260	245	243	238
17	Total Expense	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,364	14,163	15,095	15,725	17,312	18,956	20,845	20,529	21,751	24,153	27,226	28,312	29,404	30,141
18	**Net Revenue (Spending)**	**(1,365)**	**(2,007)**	**(2,116)**	**(1,832)**	**(2,629)**	**(3,324)**	**(1,371)**	**938**	**1,151**	**2,489**	**2,659**	**1,094**	**2,791**	**6,571**	**1,081**	**2,133**	**4,136**	**5,175**	**7,375**	**4,096**	**1,715**	**369**
BALANCE SHEET																							
19	Net Financial Assets (Debt) [d]	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,814	11,696	15,607	20,395	27,191	30,326	31,432	30,568
20	Capital Assets [e]	N/A	N/A	N/A	N/A	N/A	N/A	8,220	7,669	7,411	7,292	7,215	7,218	7,259	8,002	10,141	10,309	10,534	10,921	11,500	12,461	13,070	14,303
21	**Net Assets (Debt)** [d]	N/A	N/A	N/A	N/A	N/A	N/A	(93)	314	1,156	3,564	6,126	7,155	9,913	17,044	19,955	22,005	26,141	31,316	38,691	42,787	44,502	44,871
22	Pension obligations	7,946	8,004	8,243	6,156	5,774	4,770	5,066	5,352	5,352	4,981	4,890	4,813	4,728	4,742	4,771	4,927	5,059	5,235	5,449	5,596	5,745	5,910
23	**Accumulated Debt** [f]	11,105	13,089	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,261	4,736	3,730	—	—	—	—	—
24	Sustainability Fund assets																—	2,500	3,498	4,083	4,408	4,747	4,716
25	Capital Account assets																910	1,180	674	4,243	4,243	4,148	2,300

[a] Numbers have been restated on 2006-07 basis where possible. Numbers for 2001-02 forward are fully comparable. The 1992-93 to 2000-01 numbers are essentially comparable to the 2006-07 presentation with exception of the treatment of disposal of capital assets, which results in revenue being overstated by approximately $600 million over the nine year period on a comparable basis. Prior to 1992-93, spending is on an expenditure basis, using actual capital numbers rather than capital amortization costs.

[b] The cost of the Alberta 2005 Resource Rebate, estimated at $1.32 billion, is netted against personal income tax revenue.

[c] Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.

[d] Excludes pension obligations. Net debt was increased by $1,474 million in 1992-93 primarily for a provision for school construction debt, reduced by $125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by $32 million in 1995-96 to report some other revenues on accrual basis.

[e] Capital Assets information not available prior to 1992-93. In 1994-95, includes the disposal of $449 million in capital assets, (primarily transfer of secondary highways to municipalities). 2000-01 and 2001-02 include transfers of $587 million and $1.8 billion of provincial secondary highway system from municipalities to the Province.

[f] Net of cash set aside for future debt repayments. In 2001-02, the amount of $5,261 million includes commitment of $414 million to debt retirement based on a higher-than-expected year end cushion. This amount was transferred in 2002-03 from other [illegible]ets.

2006-09 CAPITAL PLAN

2006-09 CAPITAL PLAN

Table of Contents

Province's Support for Capital Infrastructure 69
Capital Plan Details 73
Capital Plan Funding Sources 77

LIST OF CHARTS AND TABLES

Interprovincial Comparison of Capital Expenditure 69
Province's Support for Capital Infrastructure 69
Comparison of 2005-08 and 2006-09 Capital Plans 70
Local Authorities and Government-Owned Capital 72
Capital Plan Summary by Function 73
Capital Plan Funding Sources 77
Capital Plan Details 78

2006-09 Capital Plan

Alberta is investing in infrastructure to meet today's growth pressures and tomorrow's long-term needs.

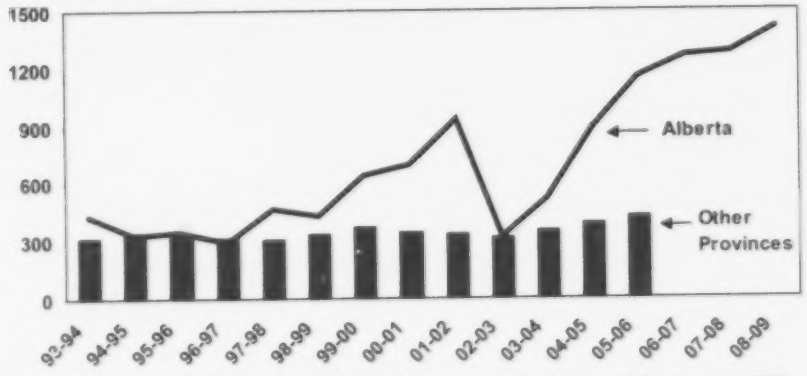
PROVINCE'S SUPPORT FOR CAPITAL INFRASTRUCTURE

The 2006-09 Capital Plan will directly support $13.3 billion in capital projects. This is a 45 per cent, or $4.1 billion increase from the 2005-08 Capital Plan published in *Budget 2005*.

This degree of capital support is unmatched in the rest of Canada. Alberta's per capita spending on infrastructure is three times the average of other provinces. In 2006-07, Alberta will spend $4.2 billion on capital projects or about $1,300 per person. The average per capita spending on infrastructure in other provinces has been about $400 per person.

Alberta's degree of capital spending is unmatched in Canada.

Interprovincial Comparison of Capital Expenditure
(dollars per capita)

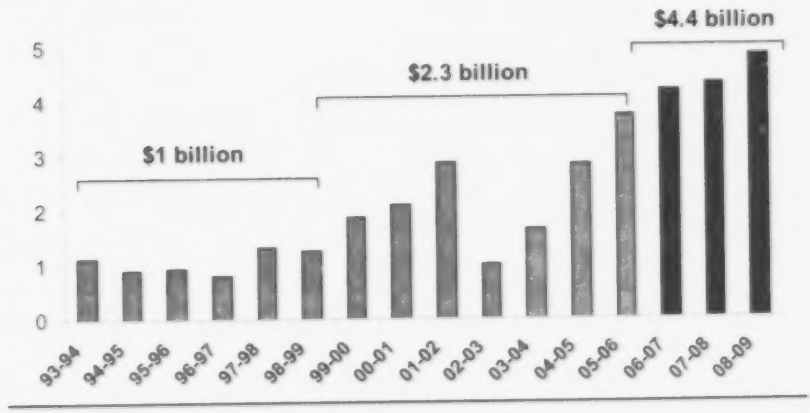


Source: Dominion Bond Rating Service Limited, The Canadian Federal and Provincial Governments - 2005 Overview, September 2005, and earlier reports. Alberta data for 2004-09 have been updated by Alberta Finance.

Alberta's support for capital infrastructure will average $4.4 billion per year, up from an average of $1 billion per year in 1993 to 1999.

Alberta will spend over $4 billion a year on infrastructure.

Province's Support for Capital Infrastructure
(billions of dollars)



INCREASES IN THE 2006-09 CAPITAL PLAN

The 2006-09 Capital Plan is $4.1 billion higher than the 2005-08 Capital Plan published in *Budget 2005*. Last year a major increase was provided for municipal infrastructure, including the five-year, $3 billion Alberta Municipal Infrastructure Program. In *Budget 2006*, major increases have been provided for the provincial highway network and health, school and post-secondary facilities.

Budget 2006 provides a 45% increase in capital spending.

Comparison of 2005-08 and 2006-09 Capital Plans

(millions of dollars)

	2005-08 *Budget 2005*	2006-09 *Budget 2006*	Change
Municipal infrastructure support	3,035	3,127	92
Provincial highway network	1,985	3,637	1,652
Health facilities and equipment	1,675	2,910	1,235
Schools	644	833	189
Post-secondary facilities	469	1,122	653
Community facilities and centennial projects	375	376	1
Water and wastewater management	289	277	(12)
Government facilities, housing and equipment	747	668	(79)
Capital for emergent projects	-	372	372
Total Capital Plan	**9,219**	**13,322**	**4,103**

Increases in the 2006-09 Capital Plan include:

Funding is provided to accelerate upgrades to the road to Fort McMurray and for ring roads in Edmonton and Calgary.

- **Provincial Highway Network** – $1.7 billion increase, with $1.4 billion in additional funding for highways in key regions. This includes accelerated road work in the Fort McMurray/Wood Buffalo area, targeting upgrades to Highways 63 and 881. This increase also enables the government to meet its commitment to continue developing the important ring road links in the Strategic Economic Corridors through Calgary and Edmonton – to commence construction of the east and southwest segments of Stoney Trail in Calgary and the north segment of the Anthony Henday ring road in Edmonton. Funding will also be made available for other regional roads and $30 million per year has been added to increase flexibility in managing highway projects. In addition, $182 million in spending authority that was not used in 2005-06 has been carried forward to be used in 2006-07.

20 new health projects committed in 2005-06.

- **Health Facilities** – $1.2 billion increase. Most of the funding for the 20 projects announced in October 2005 to increase access to health care across the province will be spent in 2006-09. This funding will provide more than 650 new and upgraded acute care beds and 85 long-term care beds. Funding was also added for health information systems development.

Funding for new schools and upgrades to existing schools.

- **Schools** – $189 million of the $207 million announced in 2005-06 for school infrastructure priorities will be provided in 2006-09. The school priorities include high schools in Edmonton, Lethbridge, Olds and Drumheller, other schools throughout the province, and more modular classroom spaces.

Capital support for post-secondary facilities will grow by over $650 million.

- **Post-Secondary Facilities** – $653 million allocated for expansions and upgrades for the University of Alberta's Centennial Centre for Interdisciplinary Science, phase two of Calgary's Bow Valley College, the University of Calgary, Red Deer College, Lakeland College, University of Lethbridge, and the Northern Alberta Institute of Technology. Funding will be provided for the Lois Hole Campus Alberta Digital Library.

Emerging projects can be funded from a capital contingency fund.

- **Capital for Emergent Projects** – $372 million is set aside over three years as a contingency to address emerging capital needs. This funding provides a mechanism to address, in a timely manner, projects that arise between planning cycles.
- **Other** – this includes: additions to the federal New Deal for Cities and Communities and the Canada/Alberta Affordable Housing Agreement; funding for the Art Gallery of Alberta in Edmonton and the Calgary Zoo; completion of the Calgary Courts Centre, including the former site of the Court of Appeal, and ongoing changes to government information systems.

Supports government's top priority of Building Infrastructure for Our Future.

While all of the commitments in the *Budget 2006* Capital Plan will have started before or during 2006-09, some project construction will continue after 2009. Funding for the completion of these projects, together with new requirements, will be addressed as antipicated in the *Government of Alberta Strategic Business Plan* in the top priority, Building Infrastructure for Our Future.

CAPITAL PLANNING AND COST PRESSURES

New capital planning process makes program ministries more responsible and accountable.

The ministries of Health and Wellness, Advanced Education and Education have been given greater responsibility for setting strategic capital priorities. These ministries take responsibility for the capital budgets for health, school and post-secondary facilities. In previous years, these capital budgets were in Infrastructure and Transportation. While these program ministries will continue to use the technical expertise in Infrastructure and Transportation, this new approach will better align capital and program needs, including responsibility and accountability for future operating cost implications.

One of the challenges in delivering capital projects is the cost increases resulting from Alberta's rapid economic growth, which puts pressure on labour and supplies costs. Ministries can allocate their capital budgets according to their priorities to deal with cost increases and other changes or adjust the construction schedule of projects to deal with pressures in the construction industry.

LOCAL AUTHORITIES AND GOVERNMENT-OWNED CAPITAL

The government supports not only government-owned and operated infrastructure, but also infrastructure owned and operated by local authorities such as municipalities, health authorities, seniors and housing facility operators, irrigation districts, school boards and post-secondary institutions.

Local Authorities and Government-Owned Capital

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-year Total
Local authorities capital	2,574	3,021	2,816	8,411
Government-owned capital	1,607	1,292	2,012	4,911
Total Capital Plan	**4,181**	**4,313**	**4,828**	**13,322**

Local authorities will receive $8.4 billion in capital support.

LOCAL AUTHORITIES CAPITAL

The 2006-09 Capital Plan supports $8.4 billion in projects for local authorities with most of the support concentrated on municipal infrastructure, health facilities and equipment, and education facilities, including schools and post-secondary facilities.

Government-owned capital will see a $4.9 billion investment.

GOVERNMENT-OWNED CAPITAL

$4.9 billion will be invested in capital owned and operated by the government. Most of this investment is in critical transportation infrastructure, which will help save lives and reduce injuries on our highways and support Alberta's economy.

Capital Plan Summary by Function

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-year Total
Municipal infrastructure support	1,014	1,046	1,067	3,127
Provincial highway network	1,074	922	1,641	3,637
Health facilities and equipment	748	1,123	1,039	2,910
Schools	339	272	222	833
Post-secondary facilities	278	459	385	1,122
Community facilities and Centennial projects	121	115	140	376
Water and wastewater management	90	109	78	277
Government facilities, housing and equipment	345	167	156	668
Capital for emergent projects	172	100	100	372
Total Capital Plan	**4,181**	**4,313**	**4,828**	**13,322**

Municipal infrastructure support totals $3.1 billion over the next three years.

MUNICIPAL INFRASTRUCTURE SUPPORT

A total of $3.1 billion will be provided to support municipalities, which includes:

- $600 million per year to continue the 5-year, $3 billion Alberta Municipal Infrastructure Program, which provides financial assistance to municipalities for roads, bridges, public transit, water and wastewater, emergency services, and infrastructure management systems;
- $995 million for municipal transportation grants for urban and rural communities based on 5 cents per litre of fuel delivered in Edmonton and Calgary; $60 per capita for other urban municipalities, and other grant programs based on factors such as kilometers of open road and terrain;
- $228 million flow through of federal funding under the New Deal for Cities and Communities which returns a portion of the federal gasoline tax to the province for distribution to municipalities, and
- $104 million for Alberta's share of other municipal programs such as the Canada/Alberta Municipal Rural Infrastructure Fund.

Provincial highways investment increases by $1.7 billion to over $3.6 billion.

PROVINCIAL HIGHWAY NETWORK

Provincial highway network projects include:

- Twinning portions of Highway 63 between Edmonton and Fort McMurray;
- Continuing upgrades to other sections of Highway 63 and 881 in and around the Fort McMurray/Wood Buffalo area;
- Constructing the northeast segment of the Calgary Stoney Trail ring road;
- Continuing planning and initial construction of further segments of the ring roads in Edmonton and Calgary;
- Paving gravel roads in high-volume locations throughout the province;
- Continuing twinning of the North-South Trade Corridor, including further 4-laning on sections of Highway 43, and
- Rehabilitating highways in all areas of the province.

HEALTH FACILITIES AND EQUIPMENT

$2.9 billion is planned for health infrastructure over the next three years.

With $2.9 billion planned over the next three years primarily for facilities, health information systems and vaccine purchases, the government has made significant commitments to Alberta's health system.

In *Budget 2005*, the government allocated nearly $1.7 billion over three years for health facilities and equipment. The two most notable projects were the new South Calgary Hospital and the Health Sciences Ambulatory Learning Centre, which will deliver ambulatory health services while providing training for Alberta's future health professionals.

During 2005-06, additional funding was committed for 20 ongoing health capital projects to help reduce wait times and improve access, to accelerate development of the Electronic Health Record – Alberta Netcare and to support the installation of patient lifts in long-term care facilities.

The 2006-09 Capital Plan continues implementation of health commitments:

- Constructing the South Calgary Hospital;
- New facility in Sherwood Park and replacement of the Fort Saskatchewan Health Centre;
- The new Sheldon M. Chumir Health Centre in Calgary;
- Expansion of the Rockyview, Foothills and Peter Lougheed hospitals in Calgary;
- Redevelopment of the Royal Alexandra Hospital in Edmonton, including a new surgical centre, and hospitals in Lethbridge, Red Deer, Edson, Barrhead, Viking and High Prairie;
- Replacing the Eastwood primary health centre in Edmonton;
- Constructing the joint Health Sciences Ambulatory Learning Centre in Edmonton in a partnership between Capital Health and the University of Alberta;
- Capital Health's ongoing acute care bed reclamation in various facilities in Edmonton and area;
- $309 million for health information systems, such as the diagnostic imaging strategy and Electronic Health Record – Alberta Netcare, and
- $95 million for the acquisition of various vaccines.

South Calgary Hospital and Health Sciences Ambulatory Learning Centre in Edmonton will receive over $1.1 billion in total.

SCHOOLS

Alberta's schools will receive $833 million.

Alberta's schools will receive $833 million in 2006-09 for preservation and expansion projects as well as new facilities. Included is funding to continue the $229 million announced in 2005-06 for schools and portable classrooms to address enrolment pressures and support implementation of the class size initiative. School projects include:

- A new education centre in Lethbridge that will serve both public and Catholic students;
- Support for Francophone schools;
- New modular classrooms and the relocation of existing portable classrooms;

- Additional new schools in locations such as Calgary, Edmonton, Grande Prairie, Peavine Métis Settlement, and Sylvan Lake, and
- Additional school modernizations and renovations in locations throughout Alberta.

POST-SECONDARY FACILITIES

Post-secondary facilities capital funding more than doubles to $1.1 billion.

The $1.1 billion investment in post-secondary facilities supports the government's commitment to advanced education and a skilled work force. This funding, with the $85 million added during 2005-06, will allow the government to create additional spaces in universities, colleges and technical institutions by investing in facilities such as:

- University of Alberta's Centennial Centre for Interdisciplinary Science, which will expand access to undergraduate and graduate science programs;
- University of Calgary's digital library, which will improve services for students and is part of the Alberta-wide initiative for the Lois Hole Campus Alberta Digital Library;
- Bow Valley College in Calgary, which will increase access in career preparation programs;
- Red Deer College trades training expansion, which will result in increased access to trades and industry training in central Alberta;
- Grant MacEwan's Health Care Learning Centre in Edmonton to provide capacity for high demand health programs;
- Lakeland College Lloydminster campus expansion, which will increase access to programs for heavy oil, health education and degree completion;
- University of Lethbridge's Alberta Water and Environmental Science Building to increase research capacity and access for graduate students;
- University of Calgary faculty of veterinary medicine, which will start admitting its first students in 2007, and
- Northern Alberta Institute of Technology - Centre for Apprenticeship Training in Edmonton and Grande Prairie, to significantly increase the training capacity for instrument technicians, machinists, millwrights, electricians, welders, plumbers and steamfitters/pipefitters.

The Capital Plan also supports multi-purpose facilities such as the Health Science Ambulatory Learning Centre, which is a joint initiative of Capital Health and the University of Alberta, and the Olds Community Learning Campus, which is a joint initiative of Olds College and the Chinook's Edge School Division.

COMMUNITY FACILITIES AND CENTENNIAL PROJECTS

Support for community facilities will reach $376 million.

Funding of $376 million over three years includes:

- $68 million for ongoing funding for maintenance and upgrades to provincial parks, museums and historic sites for the enjoyment of Albertans and to enhance the Alberta tourism experience;

- The Calgary and Edmonton exhibition facilities receive grants of $3 million each per year for capital redevelopment projects and also received $35 million each for facility upgrades in 2005-06;
- $20 million for the Calgary Zoo, which represents the balance of the $35 million, two-year commitment for improvements such as expanding the elephant house and upgrading classrooms, laboratories and display areas to place the Calgary Zoo amongst the top zoo destinations in the world;
- The ongoing Community Facility Enhancement Program which provides matching grants of $38.5 million per year to support the expansion and upgrading of Alberta's extensive network of community-use facilities;
- The expansion and renewal of the Royal Alberta Museum to enhance the visitor experience and attract world class touring exhibits, and
- $15 million for the Art Gallery of Alberta in Edmonton, towards its new facility.

Water for Life strategy supports municipalities.

WATER AND WASTEWATER MANAGEMENT

Water infrastructure will receive $277 million in funding. Under the government's *Water for Life* strategy, $126 million is provided for municipalities and a further $7 million for government water monitoring systems. Funding also includes:

- Irrigation rehabilitation grants, and
- Government dams, canals and erosion-control infrastructure.

During 2005-06, $56 million over the commitment in *Budget 2005* was added to municipal water infrastructure.

GOVERNMENT FACILITIES, HOUSING AND EQUIPMENT

The three-year support for government facilities, equipment and information technology investments includes:

Housing support continues for those in need.

- $24 million to complete the Rural Affordable Supportive Living program, for which $76 million was provided in 2005-06. Funding for this program was enhanced in 2005-06 by $50 million as part of the government's rural housing initiative, which also saw $15 million provided for lodge repairs and renovations and $25 million for affordable housing partnerships;
- $44 million to complete Phase II of the Canada/Alberta Affordable Housing Agreement. Under this multi-year agreement, nearly $200 million in federal and provincial funding will have been provided for affordable housing in Alberta;

Calgary Courts Centre to be completed in 2007.

- Completion of the Calgary Courts Centre by 2007;
- Ongoing upgrades to air tanker bases and aircraft, and
- Information technology and government facility upgrades.

CAPITAL FOR EMERGENT PROJECTS

This $372 million is to address emerging capital needs, which could include roads, schools, health and post-secondary facilities, water projects or other infrastructure.

CAPITAL PLAN FUNDING SOURCES

The three sources of funding for the Capital Plan are current-year revenue, the Capital Account, and alternative financing. The 2006-09 Capital Plan will be funded as follows.

Capital Account provides over 70% of 2006-09 requirements.

Capital Plan Funding Sources

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-year Total
Current-year revenue	1,324	1,251	1,003	3,578
Capital Account	2,709	2,946	3,825	9,480
Alternative financing	148	116	-	264
Total Capital Plan Funding	**4,181**	**4,313**	**4,828**	**13,322**

ALTERNATIVE FINANCING

Strong resource revenue reduces need for alternative financing.

Alternative financing can be used to fund capital spending. *Budget 2005* anticipated $1.3 billion in alternative financing, but strong revenues allowed this to be reduced. The $264 million in alternative financing in the 2006-09 Capital Plan is for the Anthony Henday Southeast Ring Road public-private partnership (P3) in Edmonton.

PUBLIC-PRIVATE PARTNERSHIPS

P3s give the government access to private sector expertise and allow the government to transfer certain risks to the private sector. As P3s can include private financing, they can be a funding source for the Capital Plan. If a P3 adds value, the government may choose to use P3s even when the Capital Plan does not require alternative financing.

Alberta's first private-finance P3 provides benefits like protection from cost overruns and a fixed opening date.

The Edmonton Anthony Henday Southeast Ring Road is Alberta's first P3 that includes design, build, financing and road operation for 30 years. By using a P3, the government is protected from cost overruns, is insulated from risks such as weather delays and construction difficulties, has a fixed opening date (or penalties will be incurred), and has a 30-year extended warranty on the road. This segment of the Edmonton ring road is on schedule to open in the fall of 2007.

Alberta properly accounts for P3s.

The P3 agreement on the Edmonton Anthony Henday Southeast Ring Road is a capital lease, so the government records the acquisition of a capital asset and the corresponding liability on its balance sheet. The government will have accumulated a $356 million capital lease liability related to this project when it is completed.

The next planned ring road segment is Calgary's northeast leg of Stoney Trail. The government is seeking a P3 for this Calgary northeast leg. Options such as publicly financing a larger portion of the Calgary Northeast Ring Road are being explored. As it has not yet been determined that a P3 will be the preferred procurement option, the Calgary Northeast Ring Road is included in *Budget 2006* based on conventional procurement.

Capital Plan Details

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-Year Total
Municipal Infrastructure Support [a]				
Alberta Municipal Infrastructure Program	600	600	600	1,800
Municipal transportation grants	309	336	350	995
Federal funding for cities and communities	57	76	95	228
Canada/Alberta Municipal Rural Infrastructure Fund	30	30	18	78
Infrastructure Canada/Alberta Program	14	-	-	14
Waste management assistance	1	1	1	3
Special Infrastructure Assistance Program	3	3	3	9
Total Municipal Infrastructure Support	**1,014**	**1,046**	**1,067**	**3,127**
Provincial Highway Network				
Strategic Economic Corridors				
Rural North-South Trade Corridor	39	76	140	255
Urban North-South Trade Corridor	23	37	18	78
Edmonton Ring Road	191	142	298	631
Calgary Ring Road	137	257	476	870
North East Economic Corridor	175	113	158	446
Other economic corridors	38	33	36	107
Sub-total Strategic Economic Corridors	603	658	1,126	2,387
Highway construction	383	171	327	881
Provincial highway rehabilitation and planning	88	93	188	369
Total Provincial Highway Network	**1,074**	**922**	**1,641**	**3,637**
Health Facilities and Equipment				
Health facilities expansion and upgrading	607	991	908	2,506
Health information systems	110	100	99	309
Vaccines	31	32	32	95
Total Health Facilities and Equipment	**748**	**1,123**	**1,039**	**2,910**
Schools				
Schools expansion and upgrading	339	272	222	833
Total Schools	**339**	**272**	**222**	**833**
Post-Secondary Facilities				
Post-secondary facilities expansion and upgrading	278	459	385	1,122
Total Post-secondary Facilities	**278**	**459**	**385**	**1,122**

Capital Plan Details - *continued*

(millions of dollars)

	2006-07 Estimate	2007-08 Target	2008-09 Target	3-Year Total
Community Facilities and Centennial Projects				
Community Facility Enhancement Program	38	39	38	115
Edmonton and Calgary exhibition redevelopment	6	6	6	18
Centennial legacy and heritage infrastructure grants	36	1	1	38
Government Centennial projects	15	48	74	137
Provincial parks, museums and historic sites	26	21	21	68
Total Community Facilities and Centennial Projects	**121**	**115**	**140**	**376**
Water and Wastewater Management				
Irrigation rehabilitation grants	24	24	24	72
Municipal water and wastewater grants [a]	32	54	40	126
Infrastructure Assistance for Municipal Wastewater [a]	5	5	5	15
Government water management infrastructure	26	24	7	57
Government water monitoring systems	3	2	2	7
Total Water and Wastewater Management	**90**	**109**	**78**	**277**
Government Facilities, Housing and Equipment				
Calgary Courts Centre	102	34	20	156
Supportive living and housing support	69	-	-	69
Firefighting equipment and facilities	31	20	20	71
Other government facilities and equipment	143	113	116	372
Total Government Facilities, Housing and Equipment	**345**	**167**	**156**	**668**
Capital for Emergent Projects	**172**	**100**	**100**	**372**
Total Capital Plan	**4,181**	**4,313**	**4,828**	**13,322**

[a] Municipal grants for water and wastewater of $141 million are in Water and Wastewater Management.

ECONOMIC OUTLOOK

ECONOMIC OUTLOOK

Table of Contents

Economic Outlook 83

LIST OF TABLES AND CHARTS

Key Energy and Economic Assumptions 87
Sensitivities to Fiscal Year Assumptions, 2006-07 88
Global Growth to Remain Strong 89
Steady Economic Growth in Canada 89
Canadian Job Growth Moderates 90
Inflation Contained Despite Higher Energy Prices 90
Interest Rates are Rising 91
Canadian Dollar Reaches a 14-Year High 91
Oil Prices Reach Record Levels 92
Natural Gas Prices Soar After Hurricanes 92
Strong Economic Growth to Continue in Alberta 93
Conventional Energy Sector Builds on Record Activity 93
Oil Sands Investment Surges in 2005 94
Non-Conventional Oil Production Takes Off 94
Housing Starts Reach 27-Year High 95
Alberta Construction Prices Increase 95
Strong Growth Leads to Highest Wages in Canada 96
Highest Disposable Income in Canada 96
Retail Sales Continue Growth 97
Border Reopens to Cattle But Crops Struggle 97
Alberta's Exports Continue to Increase 98
Alberta Continues to See Gains in Employment 98
Alberta - The Destination of Choice 99
Lowest Unemployment Rate in Two Decades 99
Oil Price Forecast Benchmark 100
Tracking the Forecasts of Oil Prices 100
Natural Gas Price Forecast Benchmark 101
Tracking the Forecasts of Natural Gas Prices 101
Canadian Short-Term Interest Rate Forecast Benchmark 102
Canadian Long-Term Interest Rate Forecast Benchmark 102
Canada/United States Exchange Rate Forecast Benchmark 103
Alberta Real Gross Domestic Product Forecast Benchmark 103
Announced Major Projects Over $100 Million 104

Economic Outlook

2005 IN REVIEW

The Alberta economy grew by an estimated 4.3 per cent in 2005, the best performance of any province for the second consecutive year. Over the past fifteen years, Alberta's economic growth has exceeded the national average twelve times.

High energy prices, along with strong investment and consumer spending, have fuelled the Alberta economy.

- Alberta's energy sector continued to benefit from higher oil and gas prices in 2005. Strong global demand and low world spare capacity for oil drove prices to an estimated average US$60/bbl in 2005-06, up 33 per cent from 2004-05. Natural gas prices followed the high price of oil early in the fiscal year and then spiked in late August after two hurricanes disrupted production along the U.S. Gulf Coast, resulting in an estimated average price of C$8.40 per GJ in 2005-06.
- Higher energy prices encouraged strong exploration and development activity in Alberta's energy sector, with conventional drilling activity up 15.3 per cent in 2005. Oil sands investment increased by over $3 billion or 54 per cent in 2005, to an estimated $9.8 billion.
- Real non-residential construction investment within Alberta was up almost 20 per cent in 2005, with commercial (18 per cent) and industrial (77 per cent) construction investment contributing to the gains.
- Alberta's housing starts increased to 40,847 in 2005, its highest level since 1978. A strong housing market, combined with higher material, labour and land costs, pushed Alberta new house prices up in the latter half of 2005. From September to December 2005, prices increased by nearly 12 per cent from a year ago, with December prices up almost 18 per cent from December 2004. For all of 2005, new home prices increased 7.1 per cent in Alberta, compared to 5 per cent in Canada.
- Alberta non-residential construction costs increased by 6.9 per cent in 2005, above the seven-city Canadian average of 5.6 per cent. Higher commodity prices, labour shortages and wage pressures were the main drivers.
- Rapid labour income growth and strong growth in population strengthened Alberta's already robust consumer sector with retail sales up 12.1 per cent in 2005, compared to growth of 6.1 per cent across Canada.
- Alberta continued to experience a tight labour market in 2005 with an unemployment rate averaging 3.9 per cent for the year. Some regions within the province experienced unemployment rates below 3 per cent, including Wood Buffalo (Fort McMurray), Athabasca and Camrose. Shortages of skilled workers are being reported throughout the province.

- Labour income rose by 9.4 per cent in 2005, its largest increase since 2001. Average weekly earnings also experienced strong gains, enjoying the highest increase among the provinces at 5.2 per cent in 2005.
- Alberta's inflation rate averaged 2.1 per cent in 2005, up from 1.4 per cent in 2004 as energy prices contributed to almost a third of the overall increase. Core inflation (excluding food and energy) averaged 1.4 per cent for 2005. Decreases in global prices of various consumer goods and the appreciation of the Canadian dollar to a fourteen-year high lowered the prices of imported goods, which kept core inflation low.
- Even with a relatively high Canadian dollar, Alberta's manufacturing sector continued to build on the momentum started in 2004. Shipments increased by another 11.9 per cent in 2005. Nationally, shipments were up 3.1 per cent in 2005.
- Alberta's agriculture sector experienced some improvements in 2005 with the opening of the U.S. border to live cattle under the age of thirty months in July 2005. Alberta exported over 213 thousand cattle to the United States between July and December, inclusive. However, crop prices fell 22 per cent in 2005 due to rising inventory levels from two years of high crop production, reduced crop quality from poor harvesting weather and a world oversupply of grain.
- Alberta continues to be the destination of choice for Canadians moving from other provinces. In 2005, for the ninth consecutive year, Alberta gained more net interprovincial migrants than any other province. From July 1, 2004 to June 30, 2005, Alberta gained a net 16,615 people from other provinces. Overall, Alberta led all provinces with population growth of 1.6 per cent in 2005, well above the national increase of 0.9 per cent.

THE ECONOMIC OUTLOOK IN BRIEF

World Economic Developments

Monetary authorities around the world raised interest rates in 2005 to head off inflationary concerns related to higher energy (up 45 per cent) and commodity prices (up 23 per cent) and are likely to raise interest rates further this year.

The U.S. Federal Reserve Board raised interest rates 14 times in the past year and a half, while the Bank of Canada raised its overnight rate five times since September 2005. In Europe, the Central Bank increased its key interest rate for the first time in five years. Japan is also nearing the end of its five-year policy of zero interest rates.

- World economic growth is expected to average 4 per cent from 2006 to 2009.
  - China and India are expected to lead world economic growth through the forecast period, with growth in the 7 to 9 per cent per year range.
  - Economic growth is expected to average about 3 per cent in Canada and the United States from 2006 to 2009.
  - With Japan's economy recovering since last year and Europe expected to do so in 2006, economic growth in both areas is expected to average between 2 and 3 per cent per year over the forecast period.
- Oil and gas prices are expected to moderate to more sustainable levels.
  - Oil supply is expected to grow faster than demand, putting downward pressure on oil prices. The world price of oil is expected to average US$50/bbl in 2006-07, US$45/bbl in 2007-08 and US$42.50/bbl by 2008-09.
  - The North American natural gas market is expected to remain relatively tight with flat production and rising demand. Northern gas from the Mackenzie Delta is not expected until 2011-12, while the Alaska pipeline is unlikely to be completed until 2015-16. Prices are expected to average C$7.50/GJ in 2006-07, C$6.50/GJ in 2007-08 and C$6.25/GJ in 2008-09.
- With the Canadian economy operating at full capacity, the Bank of Canada is expected to continue raising interest rates in order to head off inflationary pressures.
  - As of March 7, 2006, the Bank of Canada's overnight rate was at 3.75 per cent, up 1.25 percentage points from September 2005. Short-term interest rates are expected to rise further and peak at 4.5 per cent by 2007-08.
  - Long-term interest rates have remained stable, despite increases in short-term interest rates during the current tightening cycle in Canada and the United States. Huge capital inflows into the U.S. bond market have kept downward pressures on long-term rates, reflecting a global glut in savings and large trade surpluses in Asia and oil producing countries. A decline

in the U.S. dollar against major world currencies and concerns about continued high trade deficits are expected to increase long-term interest rates to 6 per cent by 2008-09.

- Canadian inflation is expected to ease from 2.2 per cent in 2005 and remain contained around 2 per cent over the forecast period.
- Supported by rising interest rates, solid economic growth and firm commodity prices, the Canadian dollar is expected to average 85 cents through the forecast period.

The Alberta Economic Outlook

Economic growth is expected to be 4.8 per cent in 2006. Increasing oil sands production, rising investment and consumer spending, along with an improved agriculture sector, will all contribute to 2006's impressive rate of growth.

Over the medium term, Alberta's economic outlook is very positive, with growth averaging 3.5 per cent per year through 2009. Several factors, including a vibrant energy sector, strong business investment, robust consumer spending and a healthy labour market, will sustain this performance.

- Oil sands production in Alberta is becoming a very important source of crude oil in the world. Billions of dollars are being invested in developing Alberta's oil sands, whose reserves are second only to Saudi Arabia. In 2005 alone, $9.8 billion was invested in Alberta's oil sands, adding to the $35 billion already invested over the 1996-2004 period. Oil sands production is expected to nearly double from 2004 levels by 2009, while strong investment in pipelines is expected as rising oil sands production will require transportation to market.
- Alberta's conventional natural gas production is declining by over 2.5 per cent per year. This is expected to be partially offset by gas production from coal and other non-conventional sources.
- Investment in Alberta's non-energy sector will continue to prosper, increasing by an average 8 per cent per year in real terms between 2006 and 2009. Government spending on infrastructure projects around the province will also continue to support a vibrant construction sector.
- With a strong global outlook, Alberta's manufacturing sector is expected to grow by nearly 5 per cent per year over the forecast period. Benefiting from higher oil sands and pipeline investment, fabricated metals and machinery manufacturing should post strong growth over the forecast period. However, increased global competition, a higher Canadian dollar and energy costs will likely constrain wood products and petrochemical manufacturing.
- The household sector continues to benefit from a robust Alberta economy and strong wage gains. In 2006, retail trade is expected to remain strong, supported by continued growth in wages, employment and higher net migration, as well as the $400 prosperity cheques sent to every Albertan early in the year. Retail sales are expected to grow by over 6 per cent per year over the forecast period.

- Housing starts are expected to remain above 40 thousand in 2006 and average over 36 thousand units per year between 2007 and 2009. Strong growth in population and rising incomes will keep housing starts at relatively high levels by historical standards.
- Alberta will remain at full employment, with employment growing by 2.2 per cent per year through the forecast period. With Alberta's tight labour market, the unemployment rate will remain below 4 per cent. Increased migration levels should help to alleviate the shortage of workers. Over the forecast period, Alberta is expected to gain an average of 20,000 people per year from other provinces, specifically from Eastern Canada as manufacturing industries in those provinces struggle with the impact of the higher Canadian dollar.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	2003-04 Actual	2004-05 Actual	2005-06	2006-07	2007-08	2008-09
Prices						
Crude Oil Price						
WTI (US$/bbl)	31.38	45.03	60.00	50.00	45.00	42.50
Alberta Wellhead (Cdn$/bbl)[a]	36.40	48.23	63.37	50.47	46.02	43.27
Bitumen @ Edmonton (Cdn$/bbl)[b]	23.20	25.67	29.97	26.00	24.46	23.41
Natural Gas Price						
Alberta Reference Price (Cdn$/GJ)	5.45	6.05	8.40	7.50	6.50	6.25
Production						
Conventional crude oil (000's barrels/day)	619	589	561	529	517	508
Non-conventional crude oil (000's barrels/day)	882	989	1,093	1,281	1,399	1,520
Natural gas (billions of cubic feet)	5,226	5,253	5,236	5,211	5,132	5,070
Interest rates						
3-month Canada treasury bills (per cent)	2.70	2.28	2.95	3.95	4.50	4.50
10-year Canada bonds (per cent)	4.68	4.54	4.10	4.95	5.80	6.00
Exchange Rate (US¢/Cdn$)	74.0	78.4	84.0	85.8	85.0	85.0

Calendar Year Assumptions	2004 Actual	2005 Actual	2006	2007	2008	2009
Gross Domestic Product						
Nominal (millions of dollars)	187,150	211,520[c]	228,817	230,477	238,262	251,144
per cent change	9.3	13.0	8.2	0.7	3.4	5.4
Real (millions of 1997 dollars)	135,837	141,610[c]	148,358	153,493	158,723	164,540
per cent change	4.3	4.3	4.8	3.5	3.4	3.7
Other Indicators						
Employment (thousands)	1,757.5	1,784.4	1,824.0	1,864.5	1,905.1	1,946.9
per cent change	2.4	1.5	2.2	2.2	2.2	2.2
Unemployment rate (per cent)	4.6	3.9	3.9	3.9	3.9	3.9
Housing starts (number of units)	36,270	40,847	40,164	37,606	36,390	35,567
Alberta Consumer Price Index (per cent change)	1.4	2.1	2.4	2.2	2.2	2.2
Population (thousands)	3,204.8	3,256.8	3,316.3	3,375.1	3,432.4	3,488.0
per cent change	1.4	1.6	1.8	1.8	1.7	1.6

[a] Refers to the average price per barrel of Alberta light, medium and heavy oil.

[b] The bitumen price is an estimate of the price at Edmonton and is not an actual market price.

[c] Estimated.

RISKS TO THE ECONOMIC OUTLOOK

- Oil and Gas Prices
  - There is significant uncertainty over energy prices. A greater than expected decline in world energy prices could negatively impact Alberta's energy sector and reduce government revenues.
  - Higher than forecast energy prices would increase government revenues, but global economic growth could be negatively affected.
- Tight Alberta Labour Market
  - Tight labour markets and the robust Alberta economy could exacerbate wage pressures making some sectors less competitive. Inflationary pressures, particularly in the construction sector, could dramatically increase government and private sector infrastructure costs.
- Inflationary Pressures and Higher Interest Rates
  - Current increases in overall consumer and wholesale prices could cause inflationary pressures to emerge. Monetary authorities could respond by raising short-term rates higher than expected, triggering slower world growth.
- Strong Canadian Dollar
  - A stronger-than-expected Canadian dollar could negatively affect exports and economic growth. Oil and gas activity could also be negatively affected due to lower returns for energy exporters. A high Canadian dollar also lowers government resource revenues, as energy prices and contracts are mainly based on the U.S. dollar.
- U.S. Budget and Current Account Imbalances
  - Has the potential to disrupt world financial markets and significantly reduce the U.S. and global economic growth in the medium term.

Sensitivities to Fiscal Year Assumptions, 2006-07[a]

(millions of dollars)

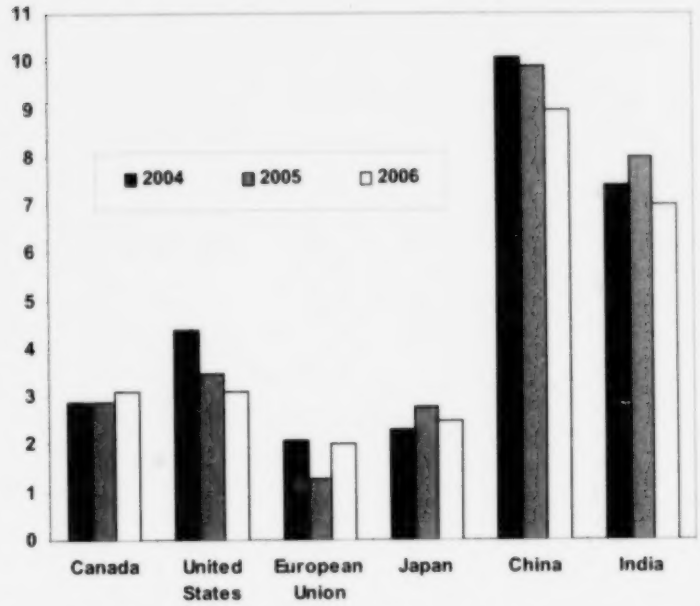
	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-123	--	-123
Natural Gas Price (Cdn$/GJ)	-10¢	-104	--	-104
Exchange Rate (US¢/Cdn$)	+1¢	-172	--	-172
Interest Rates	+1%	-200	+5	-205

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The energy price sensitivities do not include the potential impact of price changes on the revenue from land sales. The interest rate sensitivity has two components, an increase in cash interest income and a capital loss. When interest rates rise, bond prices go down, causing a capital loss.

GLOBAL GROWTH TO REMAIN STRONG

Real Gross Domestic Product (per cent change)

- The global economy grew by an estimated 4.3 per cent in 2005. Growth was strongest in China and India, robust in the United States and anemic in Europe.
- The global economy is forecast to grow by 4 per cent in 2006. China and India are expected to lead growth, with China expected to advance by 9 per cent and India by 7 per cent.
- In the United States, Canada's largest trading partner, growth of 3 per cent will be supported by strong business investment and government expenditures. Rising interest rates and higher energy prices are likely to slow the pace of consumer expenditures.

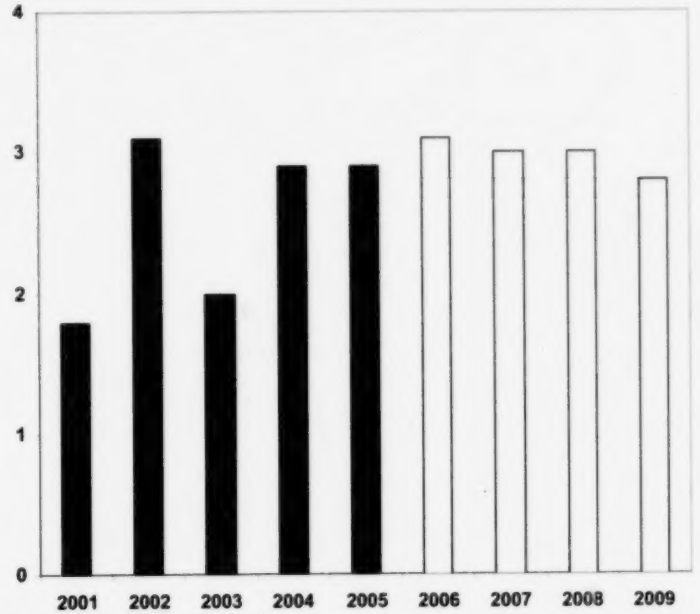


Source: Statistics Canada, International Monetary Fund, Various National Statistical Agencies and Alberta Finance

STEADY ECONOMIC GROWTH IN CANADA

Canadian Real GDP (per cent change)

- Canada's real GDP grew by 2.9 per cent in 2005, due to strong domestic demand.
- Domestic demand in Canada strengthened in 2005, with investment accelerating and consumer spending remaining strong. The external sector was a drag on growth as the higher Canadian dollar and continued competition from Asian countries boosted imports, while exports posted only moderate growth.
- Although the Canadian economy remains fundamentally sound, a higher dollar and rising interest rates are expected to keep a lid on Canada's growth. Economic growth is forecast to average 3 per cent in 2006 and over the medium term.

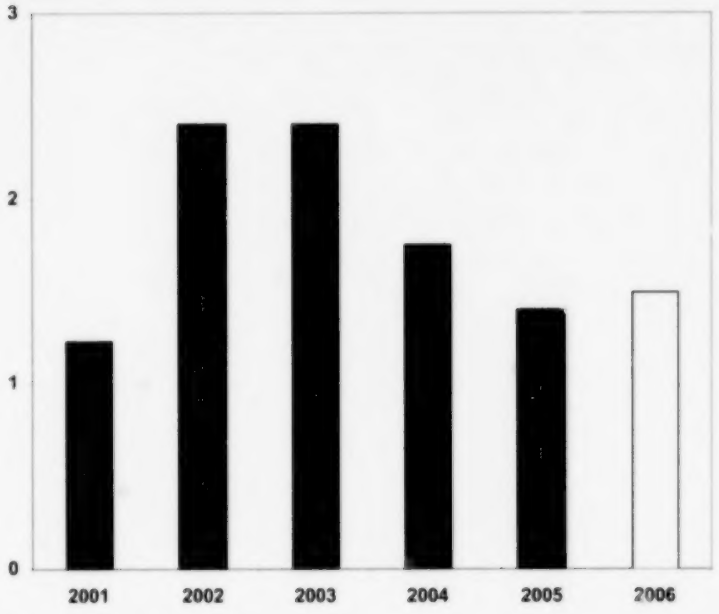


Source: Statistics Canada and Alberta Finance

CANADIAN JOB GROWTH MODERATES

Canadian Employment Growth (per cent change)

- Despite steady GDP growth in 2005, employment growth in Canada slowed to 1.4 per cent. The slower pace of employment growth in 2005 reflected a pick up in labour productivity, which was up 1.1 per cent in 2005.
- In 2005, Canada's unemployment rate fell to 6.8 per cent, its lowest level in three decades, with the exception of 2000. The decline was driven by slower growth in the labour force, which grew by only 0.9 per cent.
- Canadian employment growth is expected to average 1.5 per cent in 2006 over the medium term.

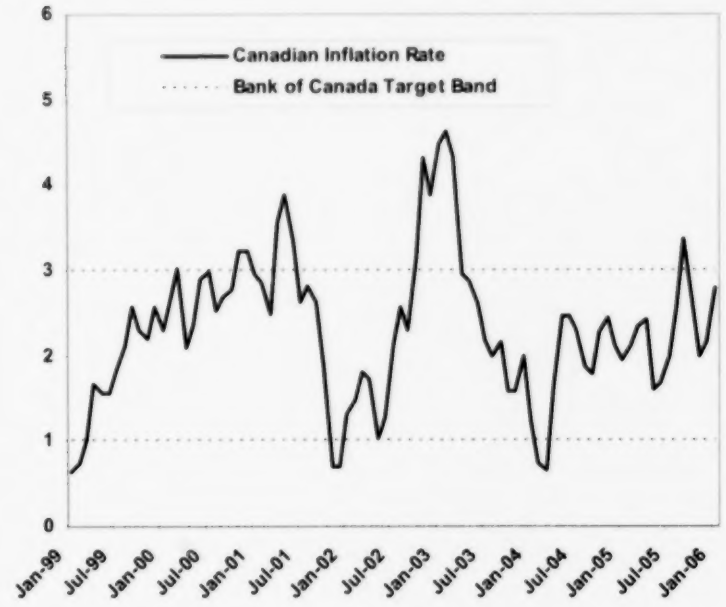


Source: Statistics Canada and Alberta Finance

INFLATION CONTAINED DESPITE HIGHER ENERGY PRICES

Consumer Price Index (per cent change)

- Energy prices were a major driver of global inflation in 2005. As a result, overall Canadian inflation rose to 2.2 per cent in 2005 from 1.9 per cent in 2004. However, core inflation (excluding food and energy) was 1.4 per cent, well within the Bank of Canada's target band of 1 to 3 per cent.
- With strong economic growth, Alberta's CPI inflation increased to 2.1 per cent in 2005 from 1.4 per cent in 2004.
- Rising cost pressures in Alberta are likely to keep Alberta's inflation rate somewhat higher than the national average. Alberta's inflation rate is expected to average 2.2 per cent over the forecast period, compared to 2 per cent in Canada.

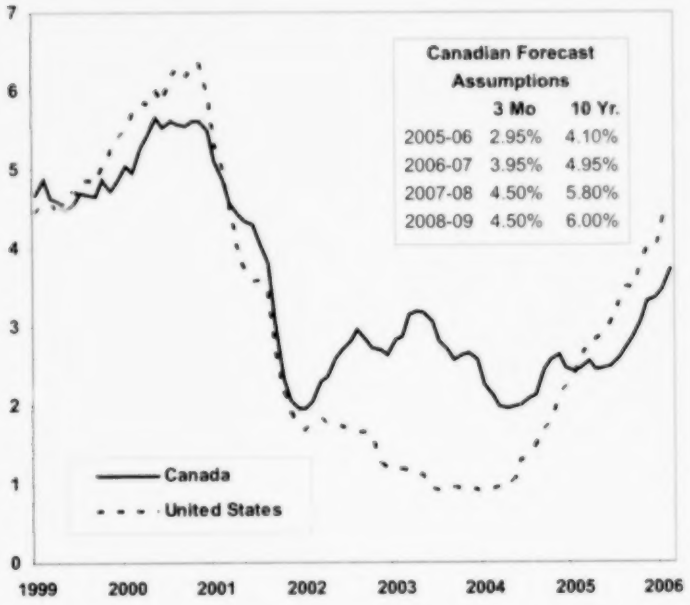


Source: Statistics Canada

INTEREST RATES ARE RISING

3-month Treasury Bills (per cent)

- U.S. interest rates have been rising steadily since mid-2004. Currently at 4.5 per cent, they are approaching their peak for this economic cycle.
- Canadian interest rates have also risen and were at 3.75 per cent as of March 7, 2006, 75 basis points below U.S. rates.
- With the Canadian economy operating at full capacity, higher commodity prices and rising wages are putting upward pressure on inflation. The Bank of Canada is expected to continue to raise short-term interest rates in the near term, with rates peaking at 4.5 per cent in 2007-08.

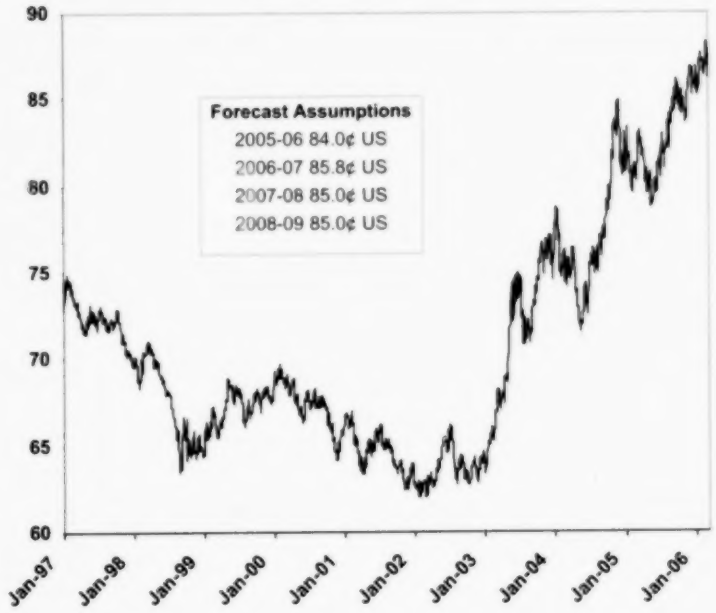


Source: Bank of Canada, U.S. Federal Reserve Board and Alberta Finance

CANADIAN DOLLAR REACHES A 14-YEAR HIGH

Canadian Exchange Rate (US¢/Cdn$)

- Higher commodity prices, solid economic growth and expectations of rising interest rates lifted the Canadian dollar to a 14-year high above 88 cents US in early 2006. The dollar is estimated to have averaged 84 cents US in 2005-06.
- The increase in the Canadian dollar against non-U.S. currencies was even more pronounced, as the U.S. dollar appreciated against most major world currencies in 2005.
- The Canadian dollar is expected to remain strong in 2006 on prospects of rising short-term interest rates and continued solid growth in Canada. Over the medium term, the Canadian dollar is likely to settle around 85 cents US.

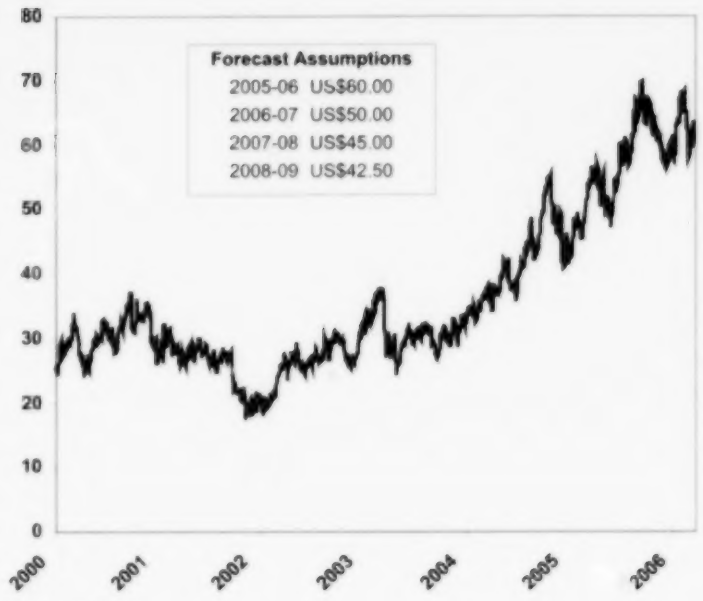


Source: Bank of Canada and Alberta Finance

OIL PRICES REACH RECORD LEVELS

WTI Price (US$/bbl, daily)

- In fiscal 2005-06, oil prices are estimated to have averaged US$60/bbl, up 33 per cent from the previous year.
- Hurricane production losses, lower world oil capacity, which fell to its lowest levels in over three decades, and political uncertainties in oil exporting countries drove prices higher in 2005.
- Anticipated increases in global oil production in response to current high prices are expected to ease supply constraints over the forecast period. Experts believe the sustainable long-term price for oil has increased to US$40/bbl from around US$30/bbl, reflecting the assumption that increases in crude oil capacity will no longer be adequate to support rising world oil demand, especially from emerging Asia.

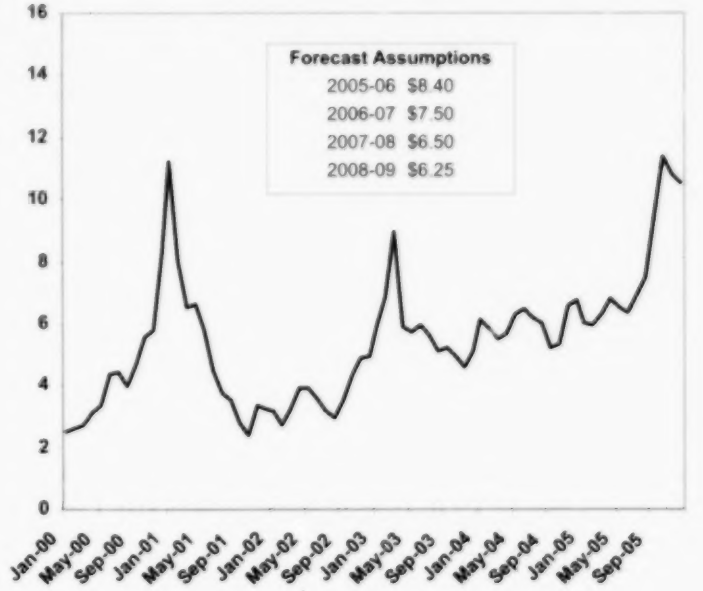


Source: Alberta Energy

NATURAL GAS PRICES SOAR AFTER HURRICANES

Alberta Reference Price (Cdn$/GJ, monthly)

- Natural gas prices averaged an estimated $8.40 per gigajoule (GJ) in 2005-06. Natural gas prices followed oil prices higher in the first eight months of 2005 and then spiked as a significant amount of North American natural gas production was lost due to damage from hurricanes Katrina and Rita.
- Natural gas prices have eased recently, reflecting a warmer than normal North American winter and production recovery in hurricane-affected areas. Prices are expected to average C$7.50/GJ in 2006-07.
- Over the medium term, natural gas prices are expected to moderate, but rising demand for natural gas, coupled with decreasing supply, are likely to keep natural gas prices higher than the historical average.

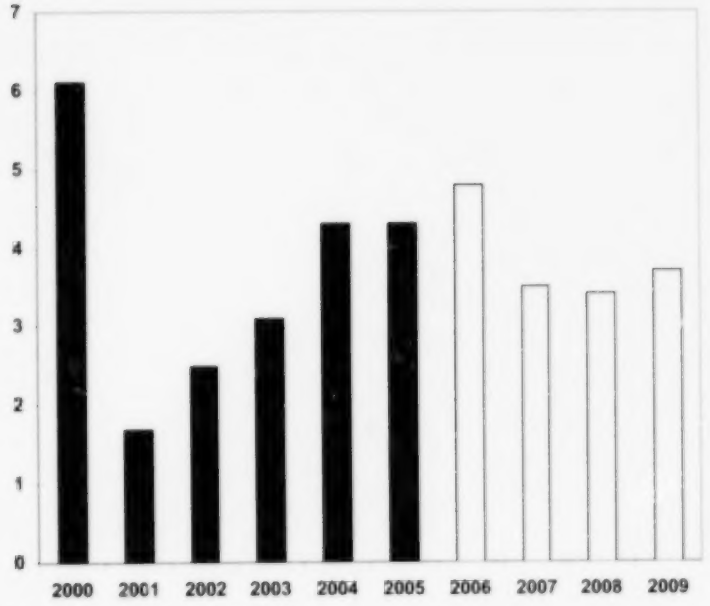


Source: Alberta Energy

STRONG ECONOMIC GROWTH TO CONTINUE IN ALBERTA

Alberta Real GDP Growth (per cent change)

- Alberta's economy is projected to advance by 4.8 per cent in 2006, the strongest growth since 2000.
- Following growth of 4.8 per cent in 2006, the economy is forecast to grow by an annual average rate of 3.5 per cent per year over the medium term, 0.5 percentage points higher than Canada and the United States.

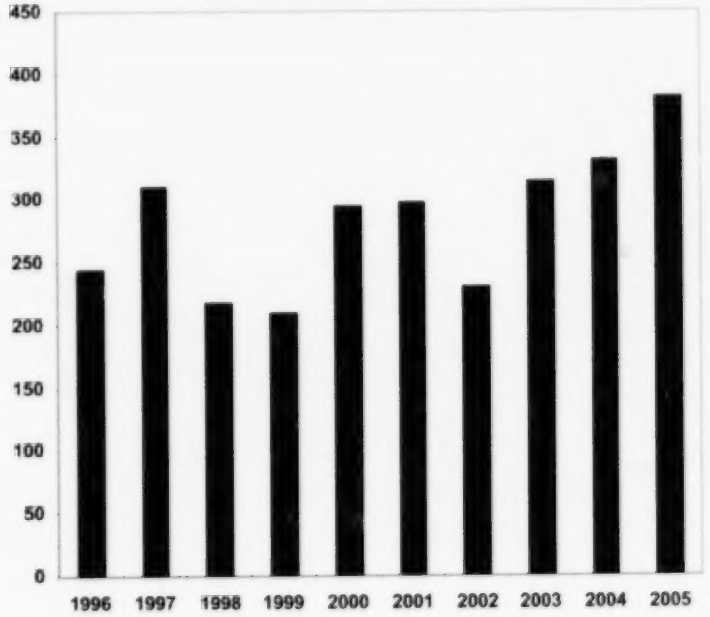


Source: Statistics Canada and Alberta Finance

CONVENTIONAL ENERGY SECTOR BUILDS ON RECORD ACTIVITY

Average Number of Rigs Drilling in Alberta

- For the third consecutive year, Alberta's conventional oil and gas sector enjoyed a record year of activity, with the number of rigs drilling increasing by 15.3 per cent in 2005. Most of the drilling activity in 2005 was directed towards natural gas. The rig utilization rate rose by 5.7 percentage points to 67 per cent in 2005, pushing up demand for labour and equipment.
- While energy prices are forecast to moderate, they are expected to remain relatively high by historical standards, sustaining drilling activity at healthy levels throughout the forecast period. Increased drilling for natural gas is needed to maintain existing production, as output per well is declining.

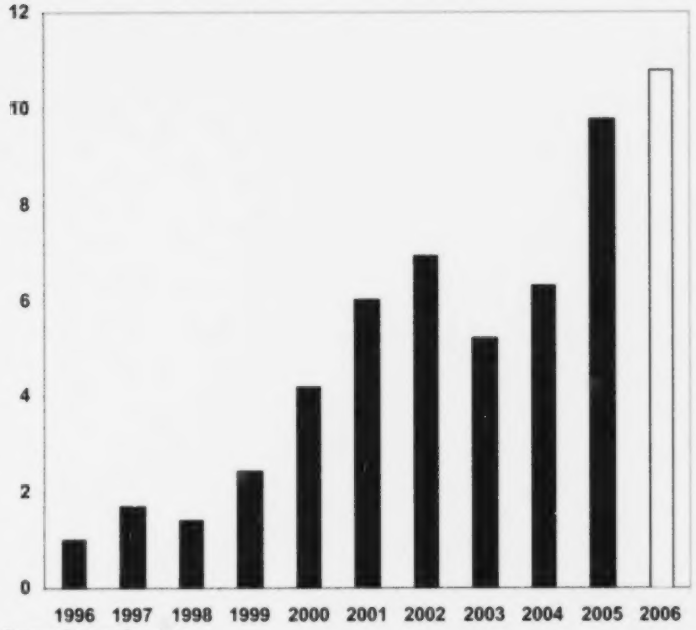


Source: Alberta Energy and Canadian Association of Oilwell Drilling Contractors

OIL SANDS INVESTMENT SURGES IN 2005

Non-Conventional Energy Investment (billions of dollars)

- Alberta's oil sands represent the second largest oil reserves in the world, after Saudi Arabia. Oil sands investment increased dramatically, rising from $1 billion in 1996 to approximately $6.9 billion in 2002.
- Oil sands investment surged to an estimated $9.8 billion in 2005 as high energy prices encouraged companies to increase outlays in oil sands projects.
- Oil sands investment is expected to be $10.8 billion in 2006 and remain high over the medium term, as there are numerous projects under construction or planned over the forecast period. Close to $20 billion has been committed to oil sands projects.

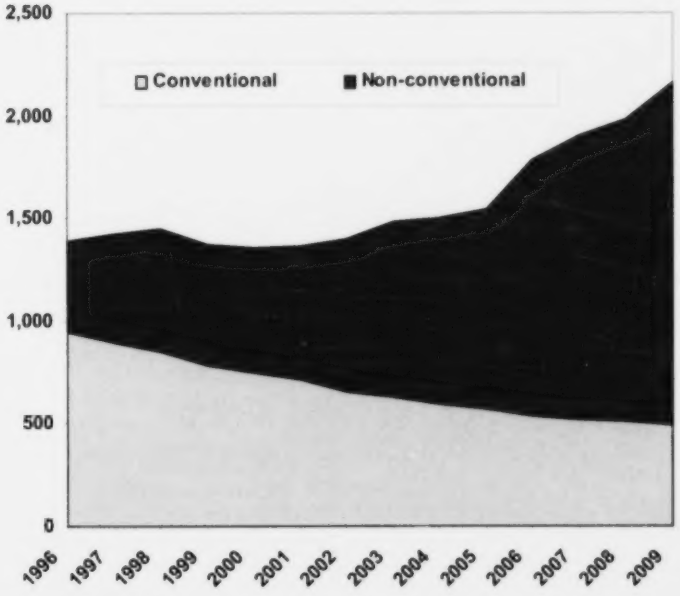


Source: Statistics Canada

NON-CONVENTIONAL OIL PRODUCTION TAKES OFF

Conventional and Non-Conventional Oil (thousands of barrels per day)

- Oil production increased modestly in 2005 reflecting the effects of a fire at Suncor's plant and an extended maintenance-related shutdown at the SynCrude facility in Fort McMurray. With the resumption of full production at these facilities and increased production at numerous ongoing and recently completed projects, Alberta's total oil production is estimated to increase by 14 per cent in 2006.
- With oil sands investment remaining high, non-conventional oil will represent an ever-increasing share of Alberta's total oil production. By 2009, non-conventional oil is expected to increase to about 77 per cent of total production, up from 63 per cent in 2005.

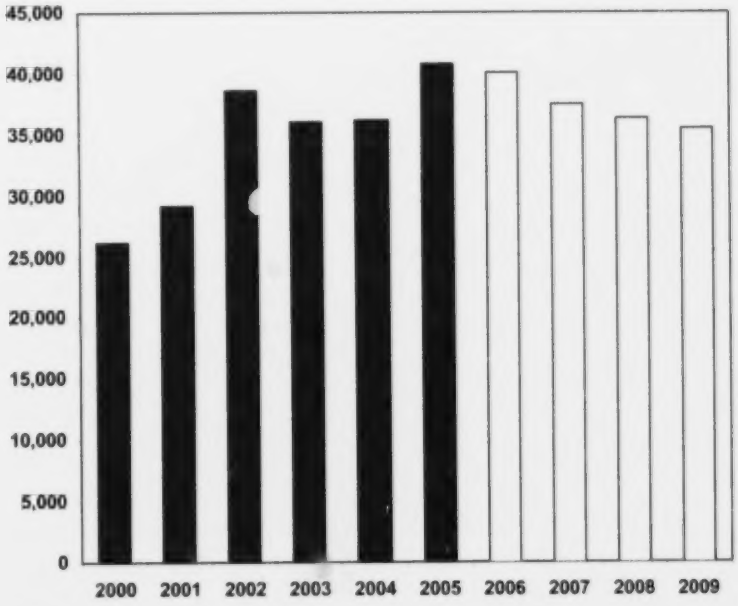


Source: Alberta Energy

HOUSING STARTS REACH 27-YEAR HIGH

Alberta Housing Starts (units)

- Alberta housing starts totaled 40,847 in 2005, its highest level since 1978.
- Lower long-term mortgage rates and robust labour markets have fuelled residential construction. Alberta's housing sector received further support from our strong economy and more people moving to Alberta.
- Strong growth in income and gains in population are likely to keep housing starts high, with starts above 40,000 in 2006 and averaging over 36,000 per year between 2007 and 2009.

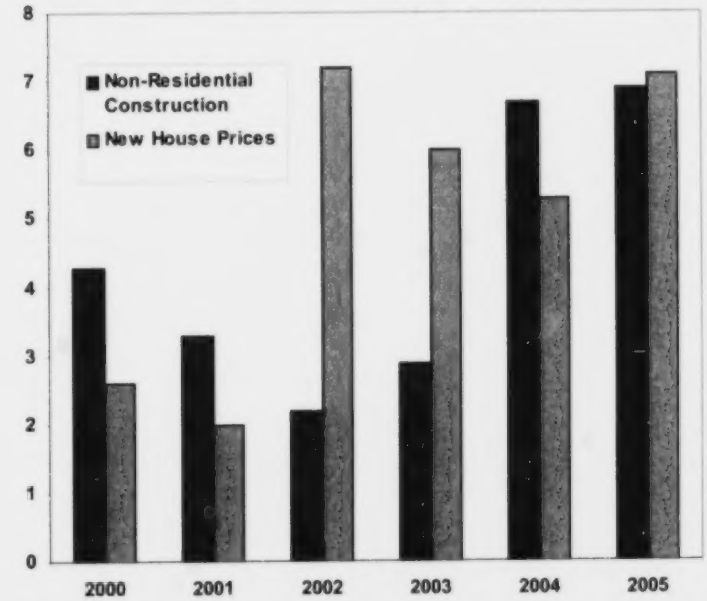


Source: Canada Mortgage and Housing Corporation and Alberta Finance

ALBERTA CONSTRUCTION PRICES INCREASE

Price Index of Non-Residential Building Construction and New House Prices (per cent change)

- The price index of non-residential construction rose by 6.9 per cent in 2005. This increase was the result of higher fuel, material (steel and concrete) and labour costs, as well as a strong market for construction.
- Alberta new home prices increased by 7.1 per cent in 2005, also reflective of increased material and labour costs, as well as a strong housing market.
- Wages and salaries in the construction industry rose by 14 per cent in 2005, while employment in construction remained constrained by relatively flat labour supply.

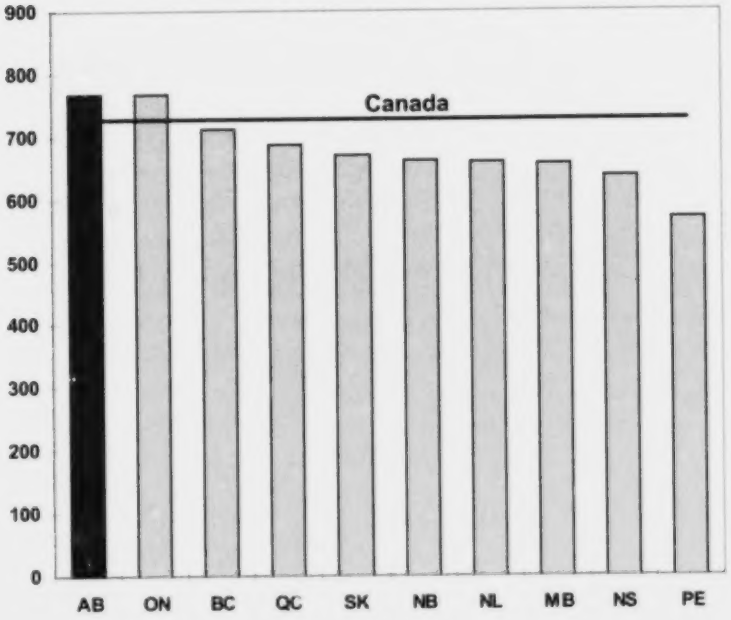


Source: Statistics Canada

- The province is experiencing tight labour markets with an unemployment rate below 4 per cent. Some regions, including Wood Buffalo (Fort McMurray), Athabasca and Camrose, are experiencing unemployment rates below 3 per cent. In particular, a lack of skilled workers is being reported, which is putting upward pressures on wages in Alberta.
- Alberta's labour income grew by 9.4 per cent in 2005, the highest rate of growth among provinces. Strong growth in the number of full-time jobs and wages contributed to the stellar gain in labour income.
- In 2005, Alberta's average weekly earnings was the highest among provinces, growing by 5.2 per cent, 2.1 percentage points above the Canadian average of 3.1 per cent.

STRONG GROWTH LEADS TO HIGHEST WAGES IN CANADA

Average Weekly Earnings, 2005 (dollars)

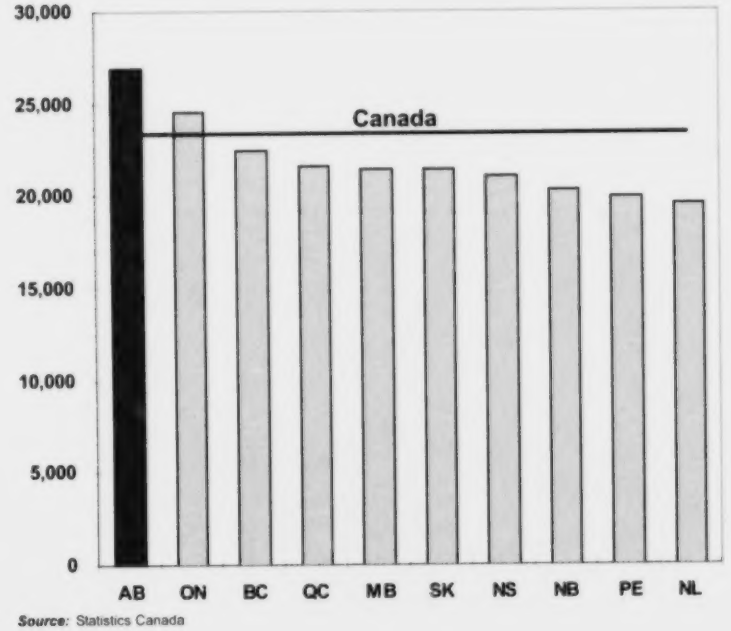


Source: Statistics Canada

- At $26,961, Alberta had the highest average personal disposable income of any province in 2004, the latest year for which data is available. Alberta's high participation rate, strong growth in wages, and low personal taxes all support the strength in personal disposable income.
- In 2004, Alberta's disposable income per capita was $3,583 (15.3 per cent) above the Canadian average of $23,378.
- With strong gains in employment and wages, Alberta's per capita disposable income is expected to remain high over the forecast period.

HIGHEST DISPOSABLE INCOME IN CANADA

Personal Disposable Income Per Capita, 2004 (dollars)

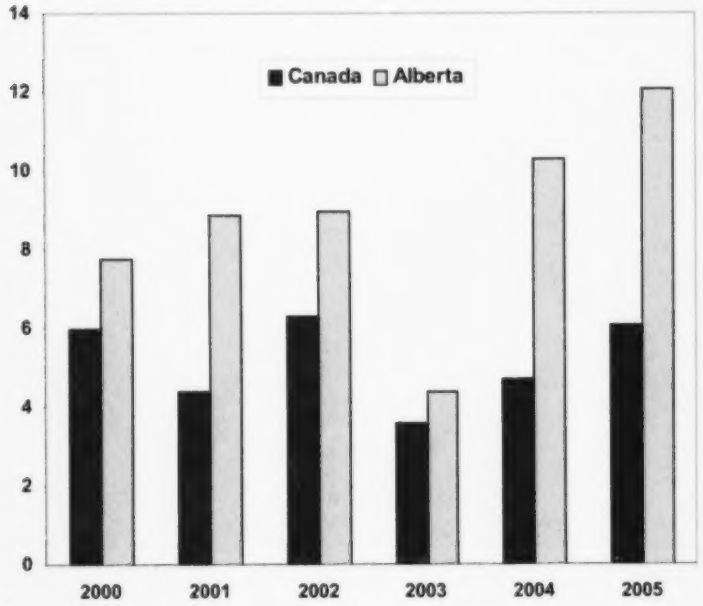


Source: Statistics Canada

RETAIL SALES CONTINUE GROWTH

Alberta Retail Sales (per cent change)

- Strong growth in wages and employment has spurred exceptional growth in consumer expenditures in Alberta. In 2005, retail sales increased by 12.1 per cent, nearly double the Canadian average of 6.1 per cent.
- In 2006, retail trade is expected to remain strong, supported by continued growth in wages, employment and higher net migration, as well as the $400 prosperity cheques sent to every Albertan in early 2006.
- Over the forecast period, retail sales are expected to grow by an average 6 per cent per year.

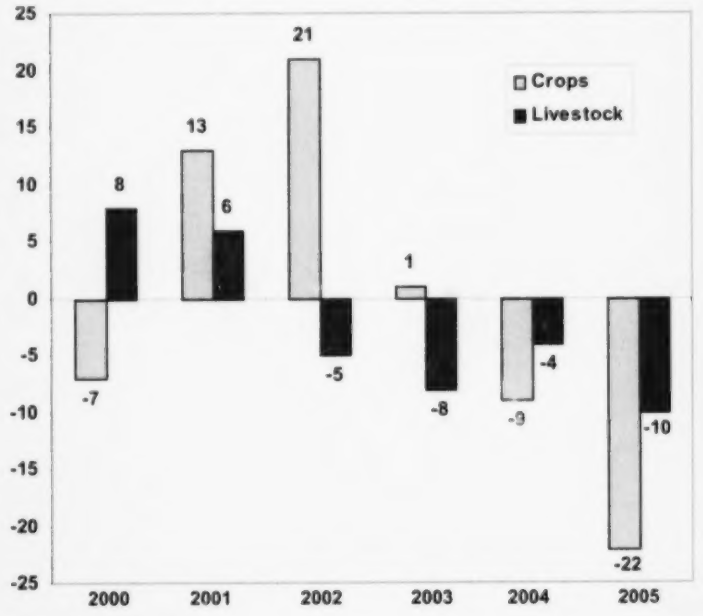


Source: Statistics Canada

BORDER REOPENS TO CATTLE BUT CROPS STRUGGLE

Alberta Farm Product Price Index (per cent change)

- The U.S. border reopened to Canadian live cattle under the age of 30 months in July 2005, allowing Alberta to export over 213,000 live cattle to the United States in 2005. Livestock prices have improved since the opening of the border, but were down 10 per cent for all of 2005, the fourth consecutive annual decline.
- For the second year in a row, poor harvesting weather affected the quality of crops in some parts of the province. Rising inventory levels from two years of high crop production, combined with reduced crop quality and a world oversupply of grain, caused prices to fall 22 per cent in 2005.
- Overall, Alberta's farm cash receipts were down 1.7 per cent in 2005. A decline in crop receipts (-11 per cent) and program payments (-22 per cent) outweighed the improvement in livestock receipts (+12 per cent).

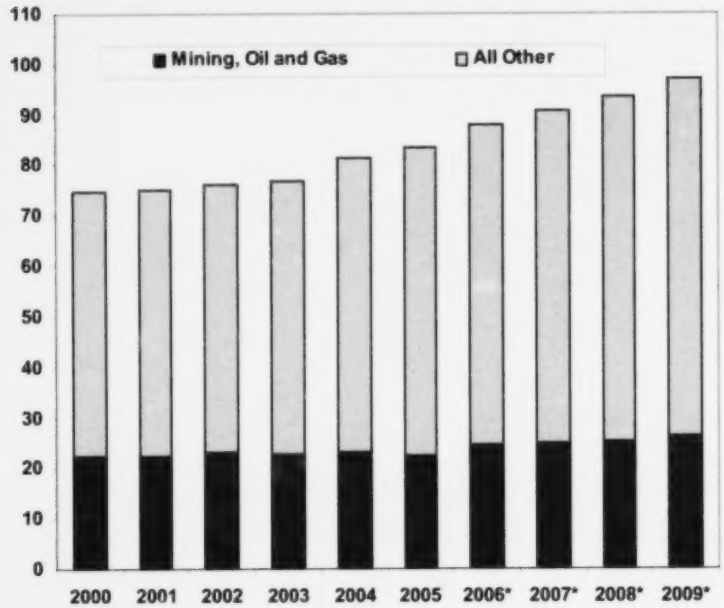


Source: Statistics Canada

ALBERTA'S EXPORTS CONTINUE TO INCREASE

Real Exports (billions of 1997 dollars)

- Despite the rising Canadian dollar, Alberta's exports increased by an estimated 2.4 per cent in 2005. Manufacturing, coal and sulfur exports led growth.
- Overall, Alberta's exports are expected to rise by 5.7 per cent in 2006 due to a positive outlook for exports of non-conventional oil and live animals. For the forecast period, export growth is expected to average 3.3 per cent per year.
- Future growth will be increasingly driven by non-conventional oil, manufacturing and other services. Exports of natural gas are expected to decline, as consumption of natural gas within Alberta is expected to increase and production is expected to decline modestly.



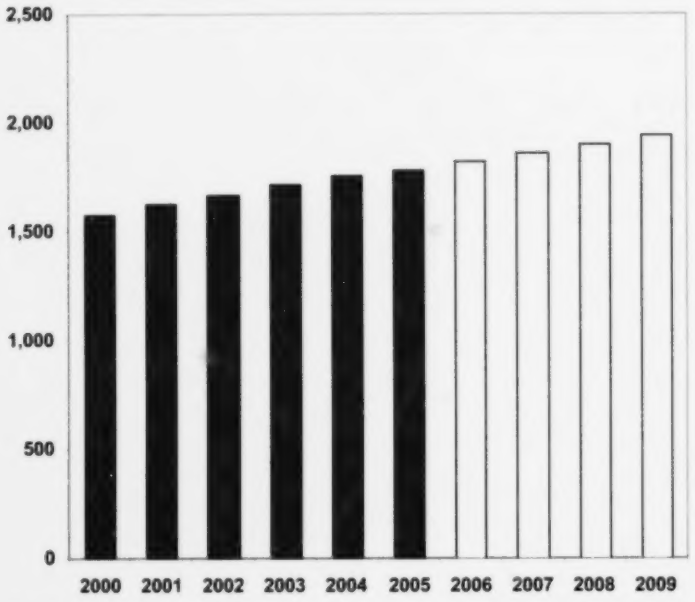
* Forecast

Source: Statistics Canada and Alberta Finance

ALBERTA CONTINUES TO SEE GAINS IN EMPLOYMENT

Employment (thousands)

- Employment in 2005 reached a record 1,784,400 jobs and has shown steady growth over the past 13 years.
- Alberta employment levels increased by 1.5 per cent in 2005. The switch from part-time employment (-10,400 jobs) to full-time employment (+37,400 jobs), along with strong income gains, illustrates the improvement in the quality of jobs and earning potential for Albertans in 2005 and in the coming years.
- Continued strong growth in economic activity is expected to generate average annual employment growth of 2.2 per cent in Alberta over the medium term. Higher migration levels are expected to ease the current tight labour market conditions.

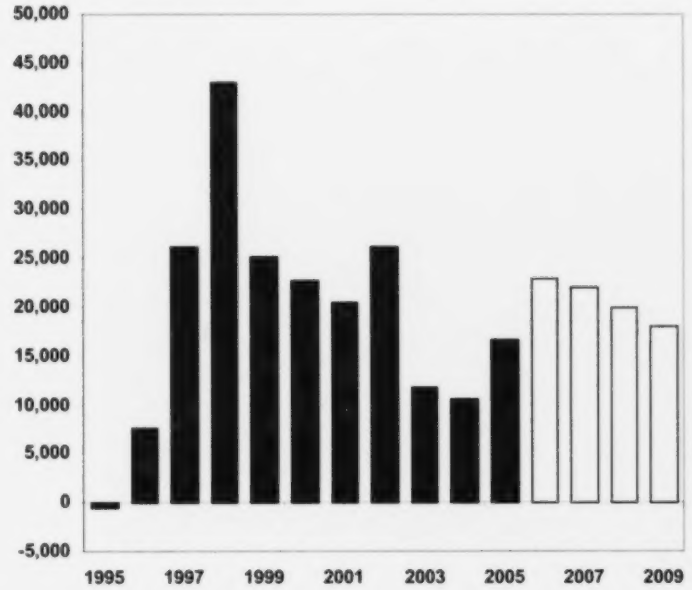


Source: Statistics Canada and Alberta Finance

ALBERTA - THE DESTINATION OF CHOICE

Net Interprovincial Migration to Alberta
July 1 to June 30 (annual)

- In 2005, for the tenth consecutive year, Alberta had positive net interprovincial migration. Alberta had the highest level of net interprovincial migration of any province for the ninth consecutive year, with 16,615 Canadians moving to Alberta.
- Despite improving economic conditions in other regions of Canada, Alberta remains the destination of choice for Canadians moving from other provinces. Higher wages and a low unemployment rate are attracting more people to Alberta. In the third quarter of 2005, Alberta gained a total of 13,110 people from other provinces, the highest quarterly total since the second quarter of 1998.
- Over the medium term, 20,000 migrants per year are expected to move to Alberta from other provinces.

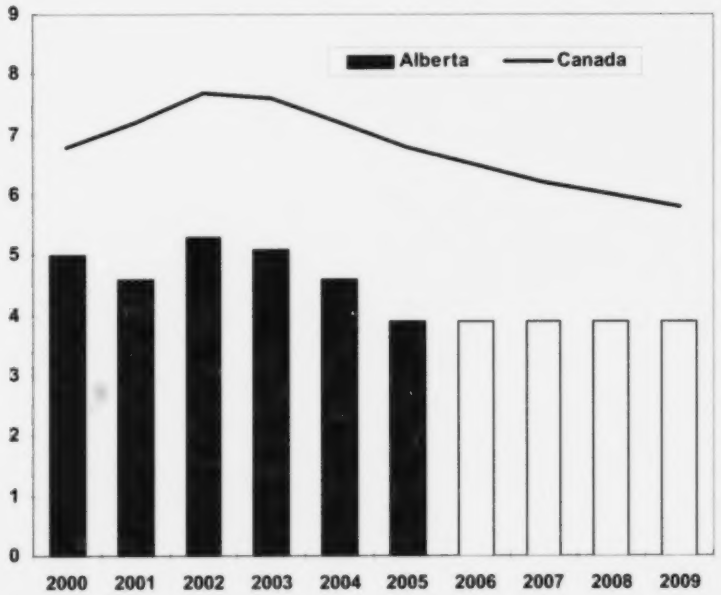


Source: Statistics Canada and Alberta Finance

LOWEST UNEMPLOYMENT RATE IN TWO DECADES

Unemployment Rate (per cent)

- Alberta's unemployment rate averaged 3.9 per cent in 2005, 0.7 percentage points lower than in 2004 and the lowest in over two decades.
- Alberta's 2005 unemployment rate was the lowest among provinces and was 2.9 percentage points below the Canadian average of 6.8 per cent.
- Alberta's unemployment rate is projected to stay the lowest among provinces over the forecast period. With solid growth in employment and economic activity, the Alberta economy is expected to remain at full employment levels over the forecast period.



Source: Statistics Canada and Alberta Finance

Oil Price Forecast Benchmark

West Texas Intermediate (US$/bbl)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	56.13	49.98	45.58	43.53
Global Insight (Mar/06)	61.50	59.00	56.92	53.55
Investment Dealers				
CS First Boston (Jan/06)	62.50	54.50	49.50	46.00
Goldman Sachs (Jan/06)	68.00	68.00	35.00	35.00
JP Morgan (Jan/06)	59.55	51.75	n/a	n/a
Lehman Brothers (Feb/06)	55.50	50.00	45.00	35.00
RBC Capital Markets (Mar/06)	57.00	50.00	40.00	40.40
GLJ Petroleum Consultants (Jan/06)	57.00	55.00	51.00	48.00
Sproule Associates Limited (Feb/06)	65.90	67.64	55.37	50.19
Industry Analysts				
Canadian Energy Research Institute (Mar/06)	69.50	78.00	n/a	n/a
U.S. Energy Information Administration (Mar/06)	63.74	60.63	n/a	n/a
Peters & Co. Limited (Feb/06)	66.00	67.00	37.00	37.00
Confidential Forecasts Provided to Alberta Energy[a]				
Average	59.59	55.06	52.50	54.00
High	69.50	78.00	56.92	54.00
Low	50.25	49.98	35.00	35.00
Average of All Private Forecasts	61.02	58.23	46.79	44.27
Alberta Government (calendar year)	**54.27**	**45.38**	**43.13**	**40.63**

Tracking the Forecasts of Oil Prices

West Texas Intermediate (US$/bbl)

Organization	How Did They Do 2005[b]	What They Were Saying About 2006 In Budget 2005	What They Are Saying About 2006 in Budget 2006
Actual	**56.77**		
CS First Boston	-13.77	38.00	62.50
Canadian Energy Research Institute	-14.77	37.00	69.50
Conference Board of Canada	-16.96	37.38	56.13
Global Insight	-13.31	36.53	61.50
Goldman Sachs	-15.52	40.00	68.00
JP Morgan	-11.52	40.74	59.55
Lehman Brothers	-14.77	37.00	55.50
Peters & Co. Limited	-6.77	40.00	66.00
RBC Capital Markets	-17.77	34.50	57.00
Average	-13.91	37.91	61.74
Alberta Government (calendar year)	**-11.61**	**33.04**	**54.27**

[a] The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from the following forecasters: PIRA, PEL, Petral, Purvin & Gertz, Groppe Long & Littell, CGES and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources.

[b] This compares an organization's forecast for 2005 at the time of Budget 2005 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Natural Gas Price Forecast Benchmark

Henry Hub (US$/MMBTU)[a]

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Global Insight (Mar/06)	8.87	8.99	8.21	7.89
Investment Dealers				
GLJ Petroleum Consultant (Jan/06)	10.50	8.75	7.50	7.00
National Bank Financial (Feb/06)	8.48	7.74	6.67	5.83
RBC Capital Markets (Mar/06)	7.50	7.25	6.00	6.06
Sproule Associates Limited (Feb/06)	8.78	9.49	8.85	7.58
Industry Analysts				
U.S. Energy Information Administration (Mar/06)	7.87	8.49	n/a	n/a
Peters & Co Limited (Feb/06)	8.65	9.00	6.00	6.00
Confidential Forecasts Provided to Alberta Energy[b]				
Average	7.94	7.38	6.55	5.55
High	10.50	9.49	8.85	7.89
Low	6.71	7.00	5.85	5.55
Average of All Private Forecasts	8.33	8.05	7.04	6.56
Alberta Government (calendar year)	**8.58**	**7.78**	**7.28**	**7.02**

Tracking the Forecasts of Natural Gas Prices

Henry Hub (US$/MMBTU)

	How Did They Do 2005[c]	What They Were Saying About 2006 In Budget 2005	What They Are Saying About 2006 In Budget 2006
Actual	**8.63**		
GLJ Petroleum Consultant	-2.43	6.00	10.50
National Bank Financial	-2.92	4.67	8.48
Peters & Co. Limited	-2.63	6.00	8.65
Average	-2.66	5.56	9.21
Alberta Government (calendar year)	**-2.67**	**5.59**	**8.58**

a The natural gas price is the US price of natural gas at Henry Hub Louisiana, as this is the benchmark for natural gas prices in the rest of North America. Since many consultants do not forecast the Alberta Reference Price, which is used in the Alberta Budget and is the basis for Alberta natural gas royalty calculations, the table has been changed this year to the US Henry Hub price of natural gas. The Alberta Government forecast in the table above is also the US Henry Hub price.

b The Alberta Department of Energy also surveys, on a confidential basis, private forecasts from the following forecasters: PIRA, RSEG, Petral, Purvin & Gertz, Groppe Long & Littell and Wood Mackenzie. The annual figures presented are the average forecast prices from these sources. Forecasts are Henry Hub prices (US$/mmbtu).

c This compares an organization's forecast for 2005 at the time of Budget 2005 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Canadian Short-Term Interest Rate Forecast Benchmark

3-month Government of Canada Treasury Bills (per cent)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	3.80	3.77	4.08	4.13
Global Insight (Mar/06)	3.91	4.00	4.00	4.00
Banks and Investment Dealers				
Bank of Montreal (Feb/06)	4.07	4.50	n/a	n/a
BMO Nesbitt Burns (Mar/06)	3.91	3.80	n/a	n/a
CIBC World Markets (Mar/06)	3.96	3.28	n/a	n/a
RBC Royal Bank (Feb/06)	4.28	4.44	n/a	n/a
Scotiabank (Mar/06)	3.95	3.75	n/a	n/a
Toronto Dominion Bank (Feb/06)	3.86	3.85	n/a	n/a
High	4.28	4.50	4.08	4.13
Low	3.80	3.28	4.00	4.00
Average	3.97	3.92	4.04	4.07
Alberta Government (calendar year)	**3.75**	**4.45**	**4.50**	**4.50**

Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bonds (per cent)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	4.54	4.68	4.95	5.12
Global Insight (Mar/06)	4.43	4.76	5.12	5.33
Banks and Investment Dealers				
Bank of Montreal (Feb/06)	4.56	5.35	n/a	n/a
BMO Nesbitt Burns (Mar/06)	4.30	4.31	n/a	n/a
CIBC World Markets (Mar/06)	3.96	3.58	n/a	n/a
RBC Royal Bank (Feb/06)	4.71	4.68	n/a	n/a
Scotiabank (Mar/06)	4.70	4.90	n/a	n/a
Toronto Dominion Bank (Feb/06)	4.09	4.30	n/a	n/a
High	4.71	5.35	5.12	5.33
Low	3.96	3.58	4.95	5.12
Average	4.41	4.57	5.04	5.23
Alberta Government (calendar year)	**4.70**	**5.65**	**6.00**	**6.00**

Canada/United States Exchange Rate Forecast Benchmark

(US¢/Cdn$)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	84.9	82.7	81.6	81.8
Global Insight (Mar/06)	87.3	87.6	86.6	85.9
Banks and Investment Dealers				
Bank of Montreal (Feb/06)	87.6	88.3	n/a	n/a
BMO Nesbitt Burns (Mar/06)	89.0	87.5	n/a	n/a
CIBC World Markets (Mar/06)	88.7	84.6	n/a	n/a
RBC Royal Bank (Feb/06)	83.5	81.1	n/a	n/a
Scotiabank (Mar/06)	89.1	92.0	n/a	n/a
Toronto Dominion Bank (Feb/06)	85.4	82.0	n/a	n/a
High	89.1	92.0	86.6	85.9
Low	83.5	81.1	81.6	81.8
Average	86.9	85.7	84.1	83.9
Alberta Government (calendar year)	**86.3**	**85.0**	**85.0**	**85.0**

Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	2006	2007	2008	2009
National Forecasting Agencies				
Conference Board of Canada (Jan/06)	4.3	3.3	3.2	3.2
Global Insight (Jan/06)	4.1	3.6	3.4	3.3
Banks				
Bank of Montreal (Dec/05)	4.8	4.0	n/a	n/a
CIBC World Markets (Feb/06)	7.0	6.0	n/a	n/a
RBC Royal Bank (Jan/06)	5.0	4.0	n/a	n/a
Scotiabank (Mar/06)	4.8	4.0	n/a	n/a
Toronto Dominion Bank (Feb/06)	4.5	3.4	n/a	n/a
Other				
BMO Nesbitt Burns (Jan/06)	3.9	3.5	n/a	n/a
Canada Mortgage and Housing Corporation (Jan/06)	4.1	3.5	n/a	n/a
High	7.0	6.0	3.4	3.3
Low	3.9	3.3	3.2	3.2
Average	4.7	3.9	3.3	3.3
Alberta Government (calendar year)	**4.8**	**3.5**	**3.4**	**3.7**

Announced Major Projects Over $100 Million

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
OIL AND GAS				
Air Products Canada Ltd.	Edmonton	Hydrogen Production Plant #2	150	2006-2008
	Strathcona County	Hydrogen Plant for Petro-Canada Edmonton Refinery Feed Conversion Project	160	2005-2006
Husky Energy Inc.	Central Alberta (Horseshoe Canyon formation)	Tie-In of Coalbed Methane Wells	100	2006
Imperial Oil Limited	Strathcona County	Strathcona Sulphur Reduction Plant for Diesel	250	2004-2006
Petro-Canada Oil and Gas	Strathcona County	Sulphur Reduction Plants at Strathcona Refinery	250	2004-2006
TransCanada Pipelines	Yellowhead County (NW of Edson)	Natural Gas Storage Facility	200	2005-2006
OIL SANDS				
BA Energy Inc.	Strathcona County (NW of Bruderheim)	'Alberta Heartland' Bitumen Upgrader Phase 1	900	2005-2008
BlackRock Ventures Inc.	MD of Bonnyville (Hilda Lake)	'Orion' Heavy Oil SAGD* Facility (Phases 1 and 2)	340	2005-2010
Canadian Natural Resources Ltd.	Lakeland County (Primrose/Wolf Lake)	'Primrose North' Cyclic Steam Stimulation (CSS) Project	250	2004-2007
	RM of Wood Buffalo	'Project Horizon' Mining and Drilling Project Phase 1	6,800	2005-2008
Conoco Philips Canada/ TotalFinaElf/Devon Energy	RM of Wood Buffalo (near Anzac)	'Surmont' SAGD Bitumen Commercial Project	1,400	2004-2013
Devon Canada Corporation	RM of Wood Buffalo (SE of Conklin)	'Jackfish' SAGD Project Phase 1	450	2005-2007
EnCana Corporation	RM of Wood Buffalo (Christina Lake)	SAGD Bitumen Production	575	2000-2009
Husky Energy Inc.	MD of Bonnyville (NW of Cold Lake)	'Tucker Lake' SAGD Project	500	2005-2006

* Steam Assisted Gravity Drainage

Announced Major Projects Over $100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
OIL SANDS (cont'd)				
Imperial Oil Limited	MD of Bonnyville	Extension of Phases 9 & 10 'Mahihkan North'	350	2005-2006
North West Upgrading Inc.	Sturgeon County	Bitumen Upgrader Phase 1	1,600	2007-2009
OPTI Canada Inc./Nexen Inc.	RM of Wood Buffalo (near Anzac)	'Long Lake' SAGD Heavy Oil Project Phase I	3,482	2004-2007
Petro-Canada Oil and Gas	Strathcona County	Strathcona Refinery Conversion to Upgrade Bitumen	1,600	2004-2008
Syncrude Canada Ltd.	RM of Wood Buffalo (Fort McMurray)	Continuous Improvement	1,500	1997-2007
PIPELINES				
Access Pipelines Inc.	RM of Wood Buffalo (Christina Lake) to Edmonton	'Access' Bitumen / Diluent Pipelines (2) and Trim Blending Plant	400	2005-2006
Enbridge Inc.	Hardisty to US border (North Dakota)	'Southern Access' Pipeline Expansion	135	2005-2009
Kinder Morgan Canada	W of Hinton to W of Mt Robson Provincial Park	TMX - Anchor Loop Phase 2 (Pipeline Expansion)	400	2007-2008
POWER				
Enmax Corporation	MD of Taber	Wind Power Generating Facility (80MW)	140	2006-2007
Kettles Hill Wind Energy Inc.	MD of Pincher Creek (E of Pincher Creek)	Wind Energy Project (65MW)	111	2005-2006
Windrise Power Inc.	MD of Willow Creek (S of Fort Macleod)	Wind Farm (99MW) Phases 1 and 2	200	2006-2008
COMMERCIAL, RETAIL AND RESIDENTIAL CONSTRUCTION				
Bentall Real Estate Services	Calgary	'Livingston Place' Office Towers Phase 1	130	2005-2007
	Calgary	'Livingston Place' Office Towers Phase 2	120	2005-2007
Bond Street Properties	RM of Wood Buffalo (Fort McMurray)	Two Condominium Towers	100	2006-2008

Announced Major Projects Over $100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
COMMERCIAL, RETAIL AND RESIDENTIAL CONSTRUCTION (cont'd)				
Christenson Developments/ Western Asset Management Group (WAM)	Strathcona County (Sherwood Park)	'Centre in the Park' Housing/Retail/ Commercial Development	135	2006-2011
Encana Corp.	Calgary	Office Tower Complex (Two Towers)	540	2006-2008
Heritage Partners	Calgary	'Deerfoot Meadows' Retail Complex	500	2003-2007
Homburg-Centron Teamworks	Calgary	Homburg-Harris Centre Office Building Phase I 'Trident Tower' and Phase II	280	2005-2007
ProCura Real Estate Services/Westbank Projects Corp.	Edmonton	Heritage Mall Re-development to 'Century Park' Mixed-Use Development	600	2005-2010
WAM Development/Opus Building Corp.	Calgary	'Stampede Station' Retail/Office Space, Hotel and Residential Buildings	400	2004-2007
INFRASTRUCTURE				
Alberta Infrastructure and Transportation	Across Alberta	Highway Twinning Project	1,400	1998-2011
	Bow River Irrigation District	Carseland - Bow River Headworks Rehabilitation	125	2003-2009
	Calgary	Extension of Stoney Trail to Deerfoot Trail	250	2005-2007
	Edmonton	SH216 (Anthony Henday Dr) SE Section (Hwy 2 to Hwy 14/SH216)	493	2005-2007
	RM of Wood Buffalo	Highway 63 Upgrades	530	2006-2012
Aquatera	Grande Prairie area	Infrastructure Projects	100	2006-2010
Calgary Airport Authority	Calgary	Airport Improvements	850	1998-2007
City of Calgary	Calgary	Glenmore Water Treatment Plant Upgrades	128	2004-2008
	Calgary	Oliver Bowen LRV Maintenance Facility (NE)	142	2006-2008
	MD of Foothills	Pine Creek Wastewater Treatment Plant	320	2006-2008

Announced Major Projects Over $100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
INFRASTRUCTURE (cont'd)				
FortisAlberta Inc.	Across Alberta	Capital Projects	360	2006-2007
Regional Municipality of Wood Buffalo	RM of Wood Buffalo	Tertiary Sewage Treatment Plant Expansion Phase I	135	2006-2009
Various Irrigation Districts	Across Southern Alberta	Irrigation Systems/Rehabilitation	600	1997-2006
INSTITUTIONAL				
Alberta Children's Hospital Foundation/Calgary Health Region	Calgary	Alberta Children's Hospital	220	2003-2006
Bow Valley College	Calgary	Campus Re-Development and Expansion	133	2006-2010
Calgary Health Region	Calgary	Re-Development of Foothills Medical Centre	265	2004-2009
	Calgary	Peter Lougheed Hospital Expansion Phase 2	200	2005-2008
	Calgary	Rockyview Hospital Addition and Parkade	193	2005-2008
	Calgary	Hospital for South Calgary (South Health Campus Phase 1)	550	2007-2010
Capital Health	Edmonton	Mazankowski Alberta Heart Institute	142	2004-2006
Capital Health/Royal Alexandra Hospital Foundation	Edmonton	Robbins Pavilion (formerly listed as Royal Alexandra Hospital North Treatment Centre (NTC))	192	2005-2008
GWL Realty Advisors Inc.	Calgary	Courts Centre Courthouse Complex	300	2004-2007
The Banff Centre	Banff	Campus Re-Development Plan	113	2005-2008
University of Alberta	Edmonton	Health Research Innovation Facility (HRIF)	165	2003-2006
University of Calgary	Calgary	Veterinary School	130	2006-2007

Announced Major Projects Over $100 Million (cont'd)

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
OTHER				
Ainsworth Lumber Co.	Grande Prairie and Valleyview	OSB Plant Expansion plus Hardwood Sawmill Expansion	220	2005-2006
Destination Resorts Inc.	Canmore	Three Sisters Resort	150	2002-2010
Enoch Paragon Limited Partnership (EPLP)	Parkland County (Enoch Cree Nation)	'River Cree Resort and Casino' Complex	150	2004-2006
Northlands Park	Edmonton	Facility Re-Development	150	2006-2014
Tolko Industries Inc.	Slave Lake	Engineered Wood Products Plant	200	2006-2007
	Slave Lake	Facility Expansion and Improvements to OSB Plant	200	2005-2006
Weyerhauser	Grande Prairie	Pulp Mill Upgrade (Boiler Re-Build)	160	2005-2007
TOTAL			**34,314**	

Source: Alberta Economic Development

ALBERTA ADVANTAGE

ALBERTA ADVANTAGE

Table of Contents

Alberta Advantage 112
The Economy 113
The People 116
The Lowest Tax Load 119
Low Operating Costs 122
Quality of Life 126
The Alberta Government 128

LIST OF CHARTS

Real GDP Per Capita 113
Real Economic Growth 113
Investment Per Capita 114
Unemployment Rate 114
Personal Income 114
Personal Disposable Income 114
Retail Sales Per Capita 115
Business Growth 115
Corporate Headquarters 115
Population 116
Net Interprovincial Migration 116
Performance of Students Aged 15 117
Population Aged 25-64 With Post-Secondary Education 117
Share of Population Under 40 117
Participation Rate 117
Employment to Population Ratio 118
Labour Productivity 118
Labour Record 118
Internet Use 118
Total Provincial Tax Load 119
Retail Sales Tax Rates 119
Combined Top Marginal Personal Income Tax Rates 120
Family Earning $30,000 120
Family Earning $60,000 120
Family Earning $100,000 120
Provincial General Corporate Income Tax Rates 121
Provincial Small Business Corporate Income Tax Rates 121
Gasoline Tax Rates 121
Alberta's Tax Advantage 121
Business Costs Index 122
Initial Investment Costs 122

Table of Contents (cont'd)

LIST OF CHARTS (CONT'D)

Annual Labour Costs 123
Workers' Compensation Premiums 123
Investment Climate 123
Office Occupancy Costs 123
Gasoline Prices 124
Natural Gas Rates 124
Daily Living Price Index 124
Housing Affordability 124
Net Home Property Taxes 125
Life Expectancy 126
Quality of Life Index 126
Expenditure on Recreational Activities 127
Support for Performing Arts 127
Provincial Health Expenditure 127
Provincial and Local Education Expenditure 127
Government Surpluses (Deficits) 128
Government Net Financial Assets (Debt) 128
Alberta's Accumulated Debt 129
Credit Rating 129
Borrowing Costs 129
Fiscal Performance Index 129
Economic Freedom Index - Canada 130
Economic Freedom Index - North America 130

Alberta Advantage

Alberta's vision is "A vibrant and prosperous province where Albertans enjoy a superior quality of life and are confident about the future for themselves and their children."

The Government of Alberta's 20-Year Strategic Plan sets out four strategic opportunities or "pillars" to achieve this long-term vision – Unleashing Innovation, Leading in Learning, Competing in a Global Market Place and Making Alberta the Best Place to Live, Work and Visit.

The Alberta Advantage illustrates, using widely accepted performance indicators, that Alberta is leading the way in these areas and is progressing toward its vision by capitalizing on the exciting opportunities that are available...

- a strong and vibrant economy
- a young, skilled and productive workforce
- affordable living costs
- a strong commitment to innovation and knowledge-based progress
- a highly entrepreneurial and competitive business community
- a business-friendly province committed to responsible regulation
- the lowest overall tax load of any province in Canada, including no retail sales tax
- a modern and efficient infrastructure
- an abundance of natural resources
- a beautiful natural environment
- a fiscally responsible provincial government

The Alberta Advantage is organized around the following categories: the economy, people, taxes, operating costs, quality of life and sound financial management. It shows that Alberta is "the place to be."

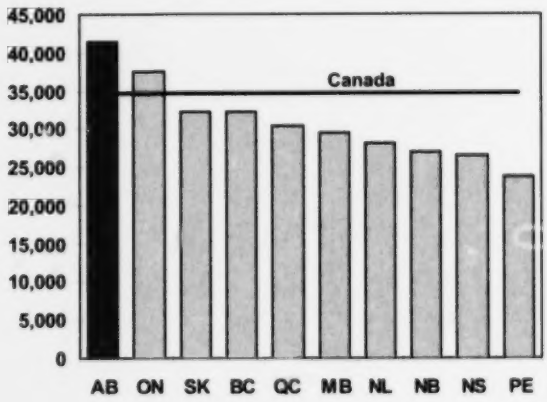
The Economy

STRONG AND DIVERSIFIED

Over the past decade, Alberta's economic performance has been exceptional, leading the nation in nearly all economic indicators. Our province's prosperity enables its residents and businesses to be confident about the future. Alberta is creating an environment and infrastructure that enables knowledge and technology to build upon our traditional economic strengths and create new opportunities.

REAL GDP PER CAPITA

2001-2005 Annual Average (dollars per capita)*

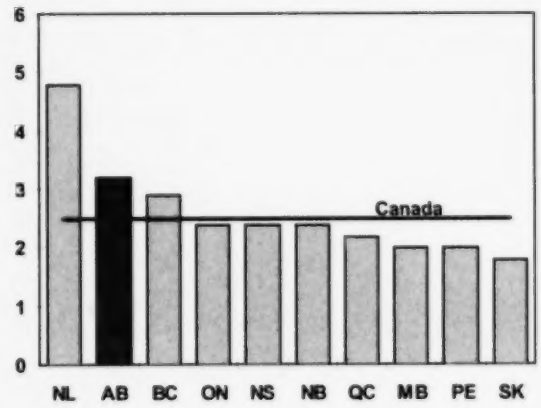


* 2005 GDP estimated for provinces.
Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta has the highest real gross domestic product per capita among provinces.
- Since 2001, Alberta's real gross domestic product per capita has averaged 10.8 per cent higher than second place Ontario.

REAL ECONOMIC GROWTH

2001-2005 Average Annual Growth in GDP (per cent)*

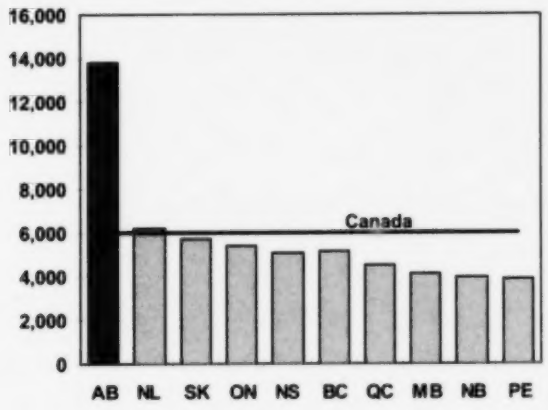


* 2005 GDP estimated for provinces.
Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta's economic growth rate was the second highest in Canada over the past five years.
- In 2005, Alberta's real output grew by an estimated 4.3 per cent.

INVESTMENT PER CAPITA

2001-2005 Annual Average (dollars per capita)*

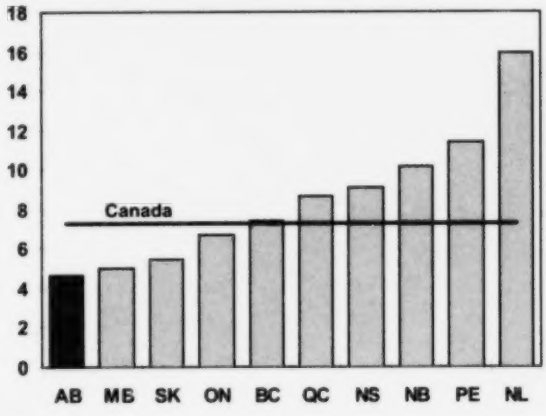


* 2005 preliminary actual.
Source: Statistics Canada

- Alberta continues to be far ahead in total private sector investment per person, as it has been for decades.
- Over the past five years, Alberta's investment per capita has been more than double that of the next highest province, Newfoundland and Labrador.

UNEMPLOYMENT RATE

2001-2005 Annual Average (per cent)

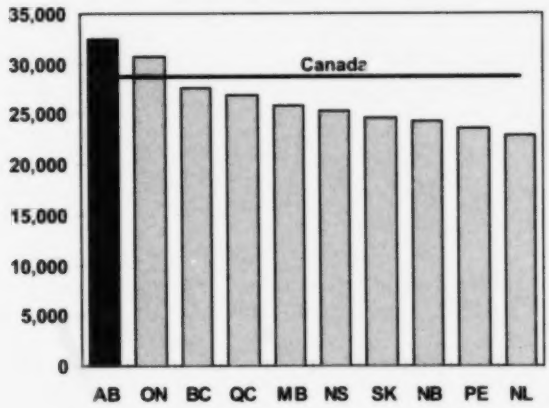


Source: Statistics Canada

- Over the past five years, Alberta's average unemployment rate of 4.7 per cent was lowest among the provinces, well below the national average of 7.3 per cent.
- In 2005, Alberta's unemployment rate of 3.9 per cent was the lowest in Canada.

PERSONAL INCOME

2000-2004 Annual Average (dollars per capita)

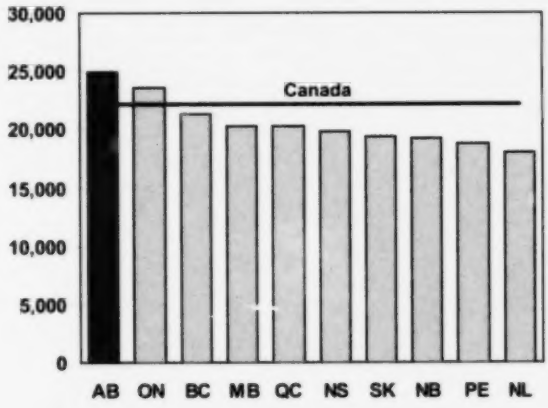


Source: Statistics Canada

- Over the five years ending in 2004 (the most recent data available), Albertans enjoyed the highest personal income per capita.
- In 2004, Alberta had the highest personal income per capita among provinces at $35,005, 15.4 per cent above the national average.

PERSONAL DISPOSABLE INCOME

2000-2004 Annual Average (dollars per capita)*

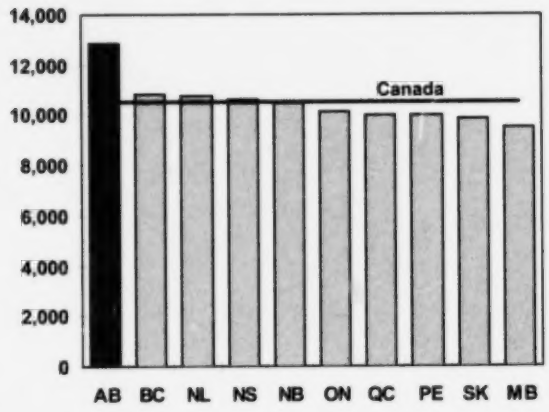


* Personal income less income and payroll taxes and other current transfers to government.
Source: Statistics Canada

- Over the five years ending in 2004 (the most recent data available), Alberta was ahead of all other provinces in personal disposable income per capita. At $26,961, Alberta's 2004 personal disposable income per capita was 15.3 per cent above the national average.
- With no general retail sales tax in Alberta, our disposable income advantage translates into even greater purchasing power.

RETAIL SALES PER CAPITA

2001-2005 Annual Average (dollars per capita)

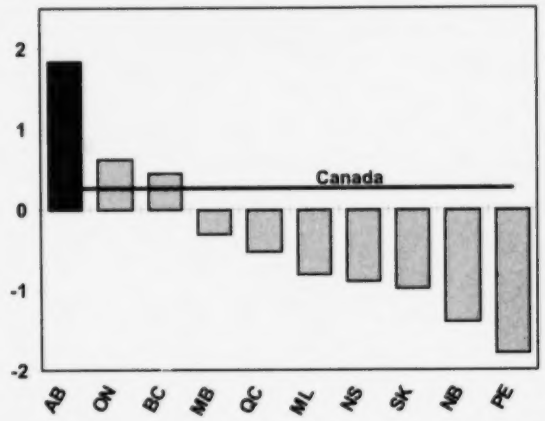


Source: Statistics Canada

- Alberta continues to lead all provinces in retail sales per capita.
- Over the past five years, Alberta's retail sales per capita has been approximately 20 per cent above the national average.

BUSINESS GROWTH

2001-2005 Annual Average (per cent growth in # of firms)*



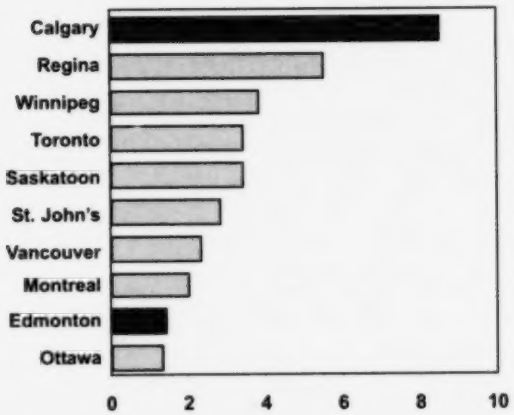
* Businesses include all incorporated and unincorporated firms, except self-employed individuals and single person firms.

Source: Statistics Canada

- Over the past five years, Alberta's average business growth has been the highest of any province in Canada.
- In 2005, the number of businesses in Alberta increased by 0.4 per cent, the third strongest growth among provinces.

CORPORATE HEADQUARTERS

2004 (number of head offices per 100,000 population)*



* Top 800 companies incorporated in Canada based on revenue. Head office counts current as of June 2005 publication date of National Post Business' FP 500

Source: National Post Business, Statistics Canada and Calgary Economic Development

- Calgary has approximately 8.5 head offices for every 100,000 persons. This rate by far exceeds all other cities in Canada.

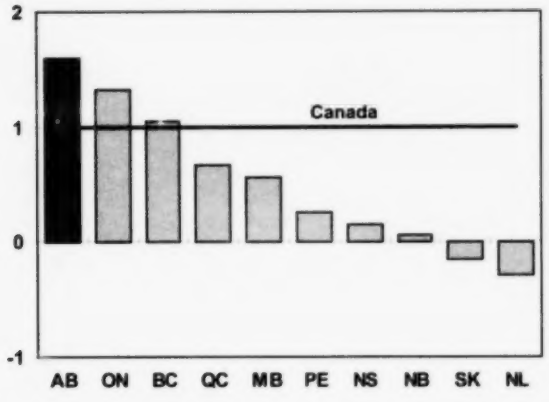
The People

YOUNG, HIGHLY TRAINED AND PRODUCTIVE

In today's knowledge-based economy, the people of Alberta are our province's most important resource. Albertans are highly skilled and productive, and are among the most educated in the world. They are the foundation of our thriving and vibrant economy.

POPULATION

2001-2005 Average Annual Growth (per cent)*

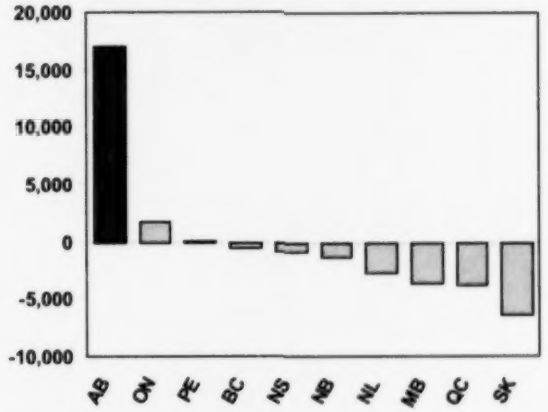


* Annual population based on 3rd quarter (July 1) estimates.
Source: Statistics Canada

- Over the past five years, Alberta's population has grown the fastest among provinces.
- In 2005, Alberta's population growth of 1.6 per cent also led the provinces.

NET INTERPROVINCIAL MIGRATION

2001-2005 Annual Average (net number of interprovincial migrants)*

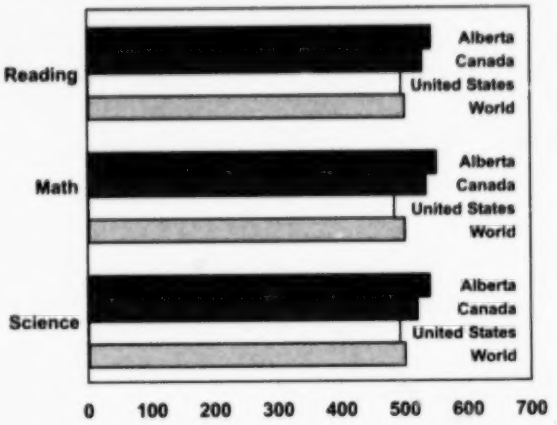


* July 1, 2000 to June 30, 2005.
Source: Statistics Canada

- Alberta has the highest number of interprovincial migrants in Canada.
- From July 2004 to June 2005, a net of 16,615 migrants came to Alberta from other provinces. The only other province to experience positive net interprovincial migration during this time was British Columbia at 7,456.

PERFORMANCE OF STUDENTS AGED 15

2003 Results (scaled to average score of 500)

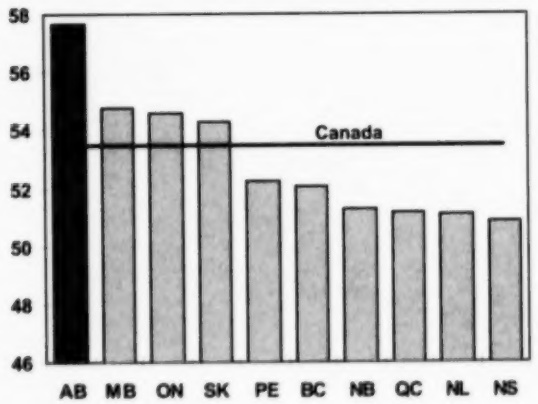


Source: Organisation for Economic Co-operation and Development (OECD)

- In 2003, the performance of students aged 15 in Alberta was significantly above the Canadian, United States and international averages in reading, mathematics and science. (2006 data will be available next year)
- Out of 41 countries and Canada's provinces, Alberta scored second highest in mathematics and reading and fourth highest in science.

SHARE OF POPULATION UNDER 40

2001-2005 Annual Average (per cent of total population)

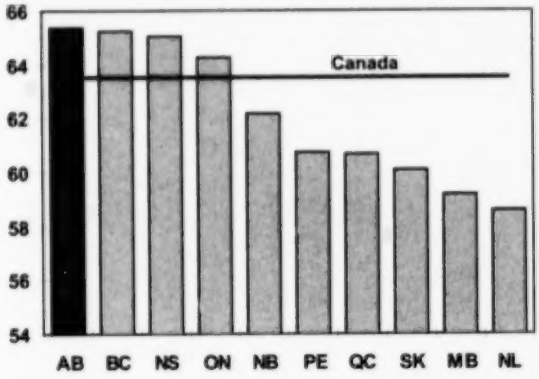


Source: Statistics Canada

- Alberta has the youngest population among provinces.
- In 2005, about 57 per cent of Albertans were under the age of 40.

POPULATION AGED 25-64 WITH POST-SECONDARY EDUCATION

2001-2005 Annual Average (per cent of total population)*



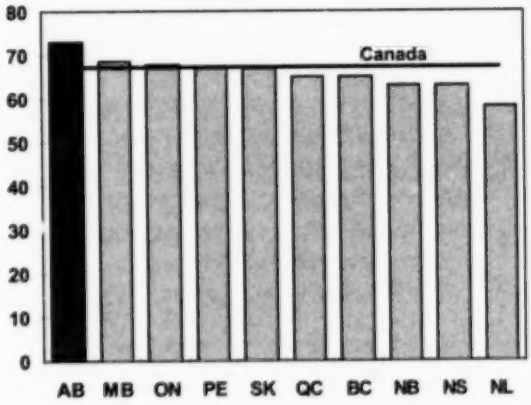
* Includes some post-secondary and completed post-secondary certificates, diplomas, and university degrees.

Source: Statistics Canada

- Alberta has the best educated workforce in Canada.
- Approximately 65 per cent of Albertans aged 25 to 64 have post-secondary education.

PARTICIPATION RATE

2001-2005 Annual Average (per cent)*



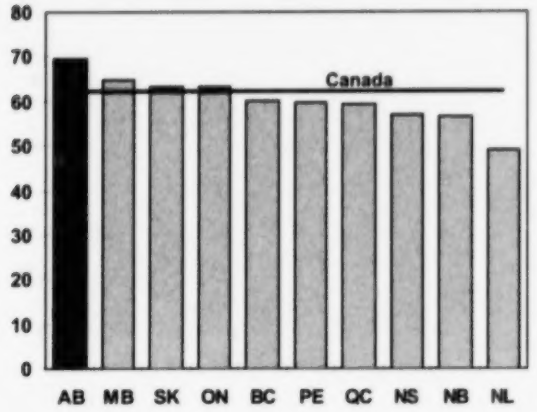
* The participation rate is the total of those aged 15 and over, who are employed or looking for work, divided by the population aged 15 and over.

Source: Statistics Canada

- Alberta has the highest labour force participation rate in Canada, 4.4 percentage points higher than second place Manitoba.

EMPLOYMENT TO POPULATION RATIO

2000-2004 Annual Average (per cent)*



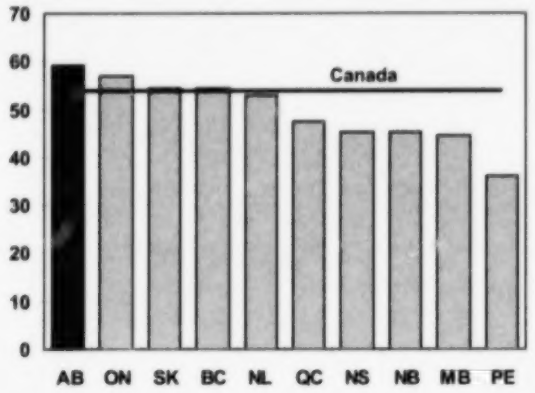
* The employment to population ratio is the total of those employed divided by the population aged 15 and over.

Source: Statistics Canada

- Compared to other provinces, more Albertans are working relative to the size of our working age population.
- Alberta is 4.4 percentage points above second place Manitoba.

LABOUR PRODUCTIVITY

2001-2005 Annual Average (dollars of real GDP per hour worked)*



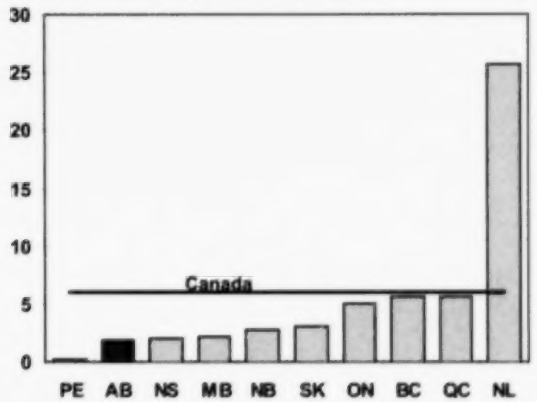
* 2005 GDP estimated for provinces.

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Albertans are the most productive workers in Canada, as measured by real GDP dollars produced per hour worked.

LABOUR RECORD

2000-2004 Annual Average (person days lost due to disputes per 10,000 person days worked)

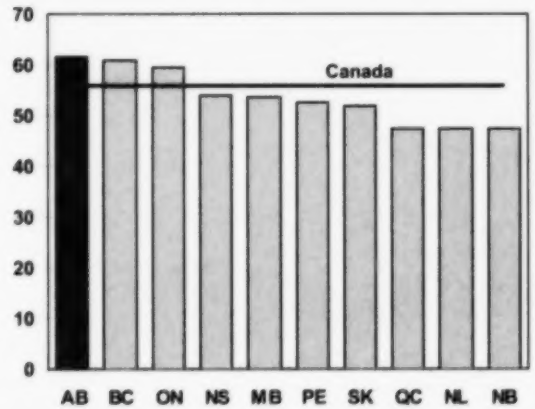


Source: Statistics Canada and Human Resources Development Canada

- In terms of person days lost due to labour disputes, Alberta's 5-year average record is better than all other provinces except Prince Edward Island.
- Newfoundland and Labrador had a public labour dispute in 2004 that distorted its five year average.

INTERNET USE

1999-2003 Annual Average (per cent of households)*



* Households with at least one regular user in any location (home, work, school, public library).

Source: Statistics Canada

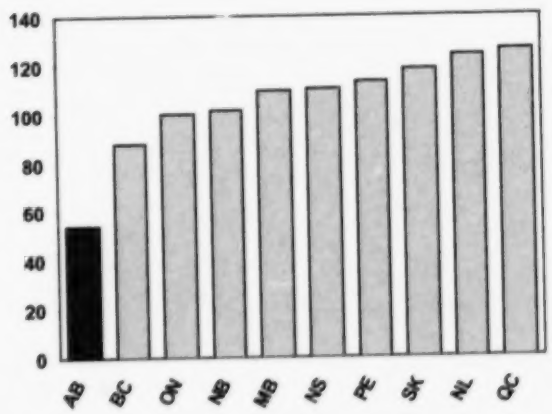
- Albertans are the most "connected" when it comes to Internet technology, which improves access to information, education, health and commerce services.
- Canada is the most connected country in the world.

The Lowest Tax Load

LEAVING MORE DOLLARS IN THE POCKETS OF ALBERTANS

Alberta is open for business with the lowest overall corporate and personal taxes in Canada. Albertans benefit from a competitive personal income tax system, the lowest tax on gasoline among provinces, no general retail sales taxes and among the lowest property taxes in Canada. Alberta businesses benefit from having among the lowest corporate income taxes in Canada and no general payroll or capital taxes.

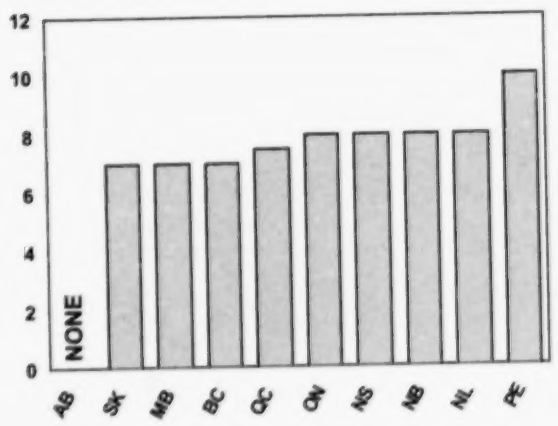
TOTAL PROVINCIAL TAX LOAD
2005-06 (per cent of the Canadian average)*



* Actual taxes divided by theroretical taxes at national average tax rates.
Source: Equalization payments, 2005-06, 2nd estimate, Finance Canada and Alberta Finance.

- Alberta has by far the lowest combined provincial and municipal tax burden among the provinces, at 54.8 per cent of the national average.

RETAIL SALES TAX RATES
2006 (per cent)*

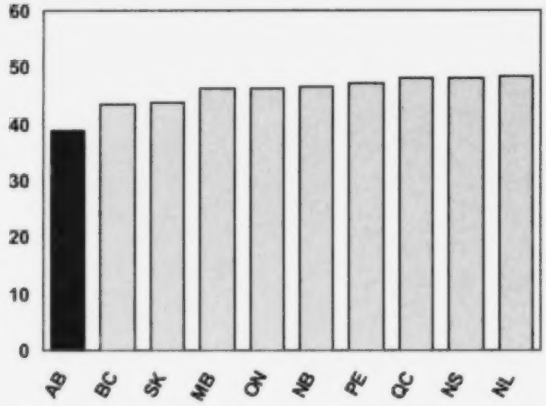


* Other provinces' rates known as of February 23, 2006.
Source: Alberta Finance

- Alberta has no provincial retail sales tax.

COMBINED TOP MARGINAL PERSONAL INCOME TAX RATES

2006 (per cent)*



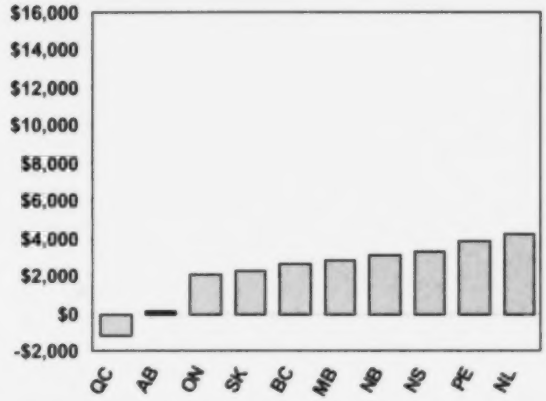
* Other provinces' rates known as of February 23, 2006.
Source: Alberta Finance

- Alberta has the lowest top marginal personal income tax rate among the provinces at 39 per cent – 29 per cent federal and 10 per cent provincial.
- In Alberta, top income earners keep 61 per cent of their last dollar earned.

FAMILY EARNING $30,000

Taxes and Health Care Insurance Premiums

2006 (One-income family with two children)*



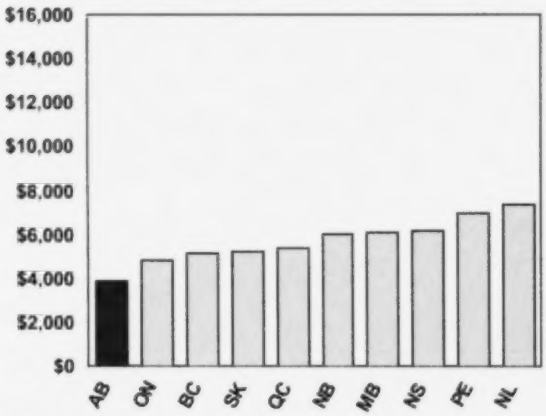
* Other provinces' rates known as of February 23, 2006.
Source: Alberta Finance

- This graph, and the following two, compare provincial income, sales, payroll, fuel and tobacco taxes, and health care insurance premiums payable by a family.
- In Alberta, a typical one-income family earning $30,000 pays only $160, approximately 94 per cent less than the average of the other provinces.

FAMILY EARNING $60,000

Taxes and Health Care Insurance Premiums

2006 (Two-income family with two children)*



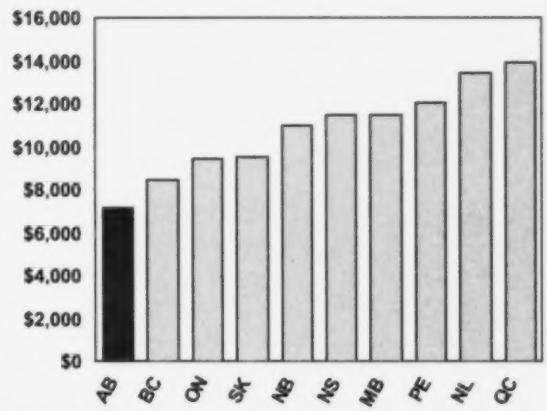
* Other provinces' rates known as of February 23, 2006.
Source: Alberta Finance

- In Alberta, a typical two-income family earning $60,000 pays $3,862, approximately 35 per cent less in combined taxes and health care insurance premiums than the average of the other provinces.

FAMILY EARNING $100,000

Taxes and Health Care Insurance Premiums

2006 (Two-income family with two children)*

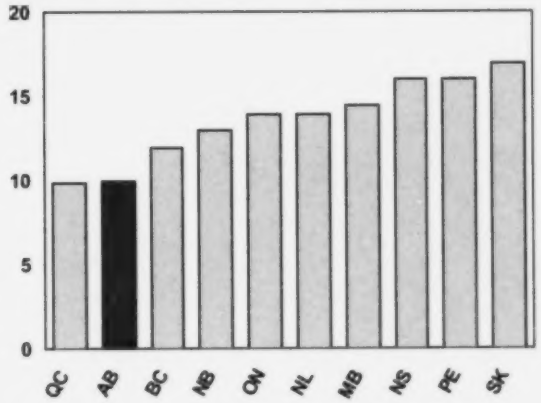


* Other provinces' rates known as of February 23, 2006.
Source: Alberta Finance

- In Alberta, a typical two-income family earning $100,000 pays $7,150, approximately 36 per cent less in combined taxes and health care insurance premiums than the average of the other provinces.

PROVINCIAL GENERAL CORPORATE INCOME TAX RATES

2006 (per cent)*

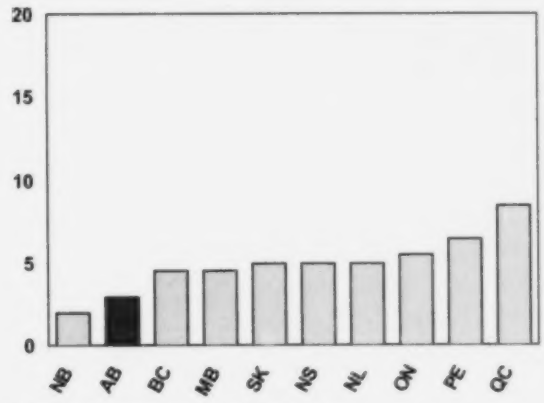


* Other provinces' rates known as of February 23, 2006. SK, ON and NL have a lower corporate income tax rate for manufacturing and processing industries.
Source: Alberta Finance

- Alberta has the second lowest general corporate income tax rate in Canada at 10 per cent.
- Alberta businesses also benefit from no general sales tax, capital tax or payroll tax.

PROVINCIAL SMALL BUSINESS CORPORATE INCOME TAX RATES

2006 (per cent)*

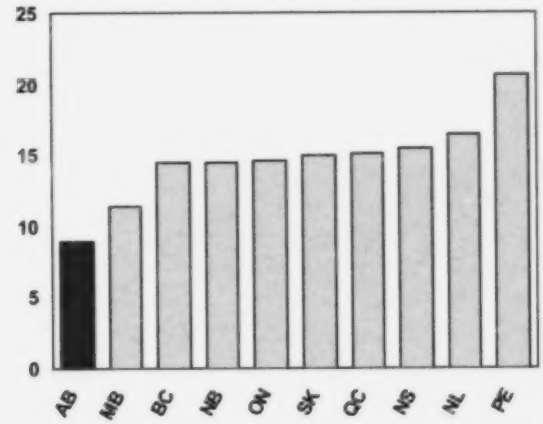


* Other provinces' rates known as of February 23, 2006.
Source: Alberta Finance

- Alberta's small business corporate income tax rate of 3 per cent is the second lowest in Canada.

GASOLINE TAX RATES

2006 (cents per litre)*

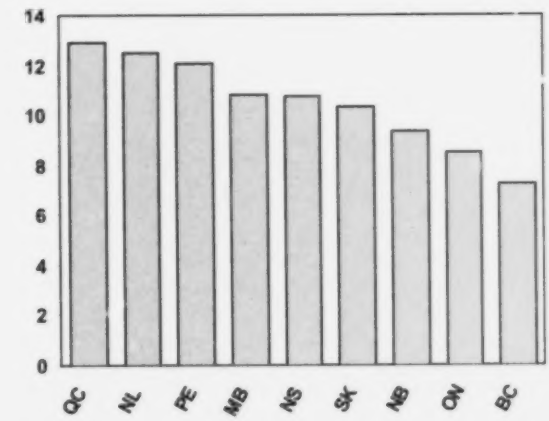


* Other provinces' rates known as of February 23, 2006. For NB, NS, QC and NL, provincial sales tax is levied on top of fuel tax. PE has a 11.5 cent base rate and a 10.7 per cent ad valorem tax.
Source: Alberta Finance

- At 9.0 cents per litre, Alberta has the lowest gasoline tax rate among provinces, 2.5 cents per litre below Manitoba, the second lowest province.

ALBERTA'S TAX ADVANTAGE

2006 (billions of dollars)*



* Other provinces' rates known as of February 23, 2006.
Source: Alberta Finance

- This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same tax systems as other provinces. The comparison also includes government revenues from health care insurance premiums and alcohol.
- Albertans would pay almost $7.2 billion more if we had British Columbia's tax system and $12.9 billion more if we had Quebec's tax system.

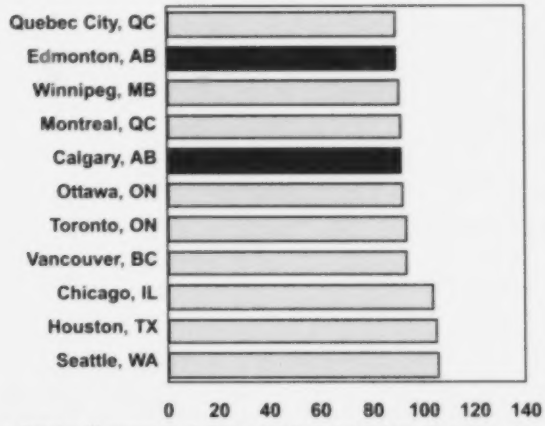
Low Operating Costs

FOR BUSINESSES AND HOUSEHOLDS

When it comes to the cost of living and doing business, the province of Alberta is an attractive place to be. Alberta's favourable business environment encourages investment and allows companies and industries to compete and succeed. Our low taxes, skilled workforce and modern infrastructure provide additional outstanding advantages.

BUSINESS COSTS INDEX

2004 (US=100.0)*

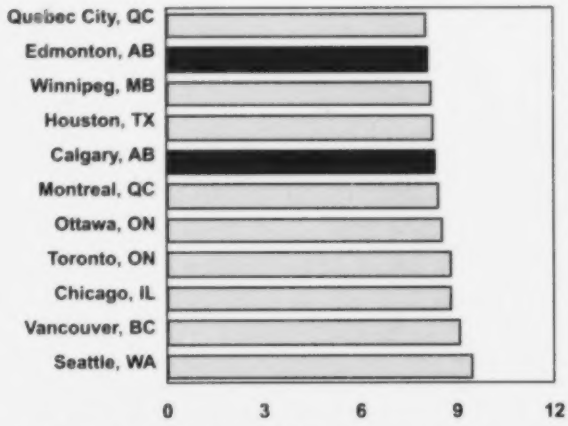


* Based on 27 components of after-tax costs for start-up and operations over 10 years. Only those cities with a population of 500,000 and greater are surveyed.
Source: KPMG

- Based on KPMG's study of business costs, Edmonton has the second lowest total costs among the major Canadian cities and all American cities.
- An Edmonton business would have an overall 11 per cent cost advantage over the average U.S. city.

INITIAL INVESTMENT COSTS

2004 (US$ millions)*

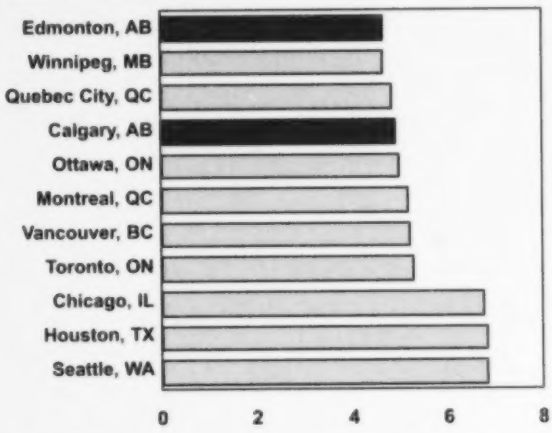


* Only those cities with a population of 500,000 and greater are surveyed.
Source: KPMG

- Edmonton and Calgary are competitive among major cities for lowest initial investment costs, which consist of land acquisition and building construction costs.

ANNUAL LABOUR COSTS

2004 (US$ millions)*

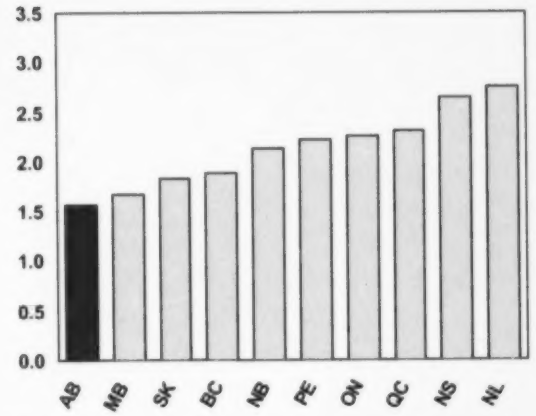


* Only those cities with a population of 500,000 and greater are surveyed.
Source: KPMG

- Labour costs, a major component of location-sensitive business costs, are lowest in Edmonton among major North American cities.

WORKERS' COMPENSATION PREMIUMS

2006 (dollars per $100 of gross payroll)*

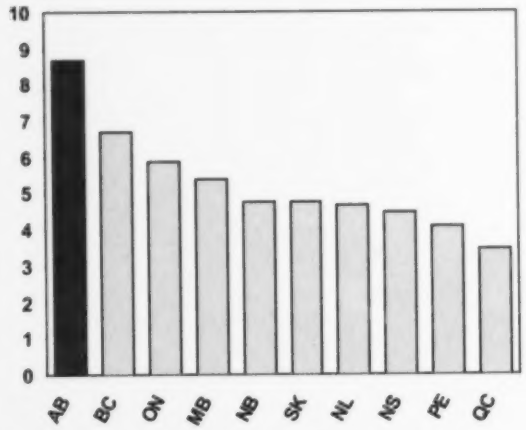


* Provisional average assessment rates. Industry composition and administrative costs vary across provinces in rate calculations.
Source: Association of Workers' Compensation Boards of Canada

- Alberta's average WCB premium rate is the lowest among provinces.

INVESTMENT CLIMATE

2006 (score out of 10)

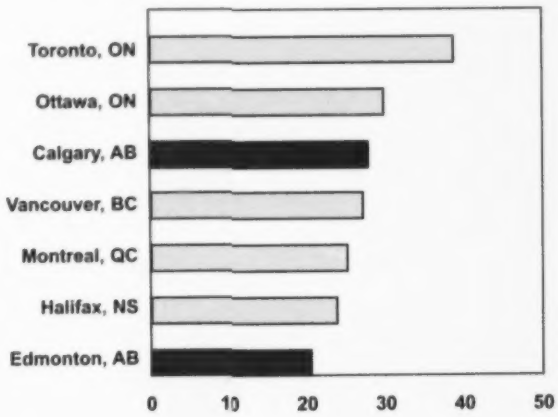


Source: Fraser Institute, Canadian Investment Climate Report, 2006.

- Based on the Fraser Institute's 2006 Provincial Investment Climate Report, Alberta emerged with the best investment climate in the country.
- The Alberta government's policies encourage a positive investment climate.

OFFICE OCCUPANCY COSTS

2005 (dollars per square foot)*

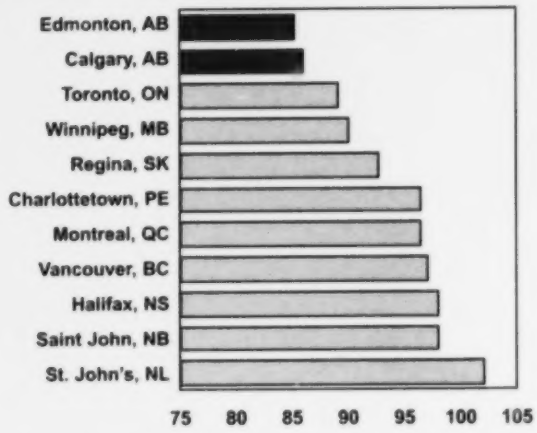


* Occupancy costs include average net rental rates, taxes and operating costs for typical "Central Class A" offices.
Source: Cushman & Wakefield LeFage

- Edmonton has the lowest overall office occupancy costs among major Canadian cities.
- Calgary has lower occupancy costs than Toronto and Ottawa.

GASOLINE PRICES

2005 Average (cents per litre)*

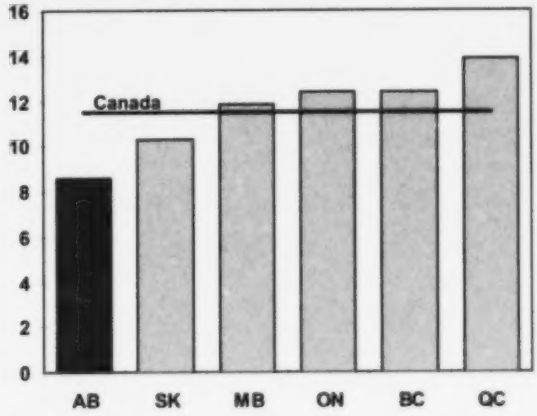


* Regular unleaded gasoline at self-service stations, taxes included.
Source: Statistics Canada

- Calgary and Edmonton continue to have the lowest gasoline prices in Canada, a trend that has been observed for the last fifteen years.

NATURAL GAS RATES

2005 Average (dollars/GJ)*

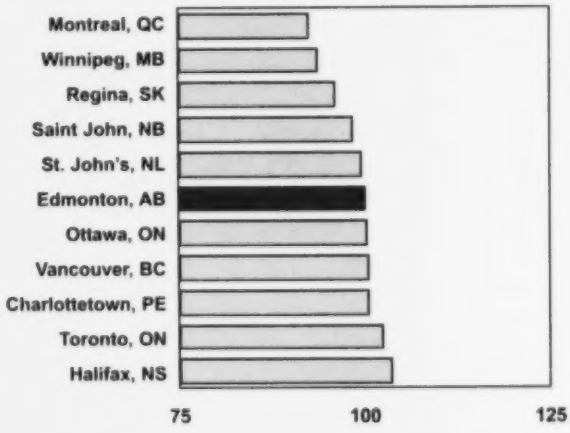


* January to June only. Calculated as sales revenue divided by sales volume.
Source: Statistics Canada

- Albertans enjoyed the lowest residential natural gas rates in Canada during the first six months of 2005 (the most recent data available).

DAILY LIVING PRICE INDEX

December 2005*

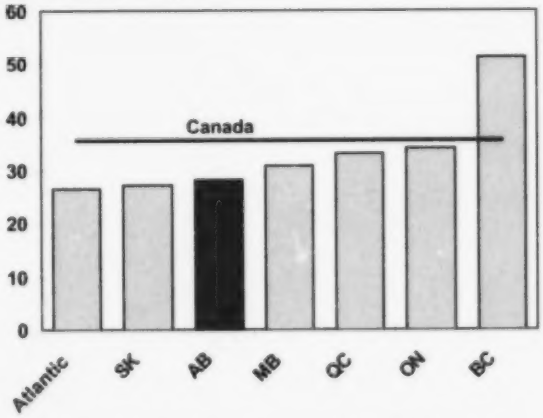


* Converted to index of Edmonton = 100. No data available for Calgary.
Source: Statistics Canada

- Even with Alberta's booming economy, Edmonton's daily cost of living continues to remain competive when compared to other major urban centres in the country.

HOUSING AFFORDABILITY

2005,Q3 (home ownership costs as a per cent of pre-tax household income)*

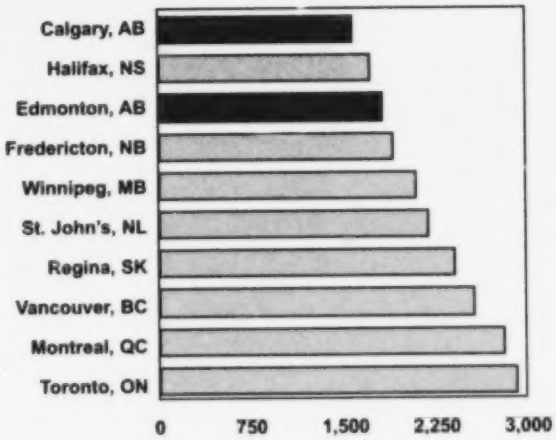


* Home ownership costs include mortgage payments, utilities, and property taxes.
Source: Royal Bank of Canada

- Alberta remains competitive among the provinces and regions.

NET HOME PROPERTY TAXES

2005 (dollars)*



* Includes municipal, regional and school taxes, net of homeowner grants or credits for a single family house.

Source: The City of Edmonton

- Among major cities, Calgary and Edmonton rank first and third, respectively, when it comes to lowest property taxes for a typical single family home.

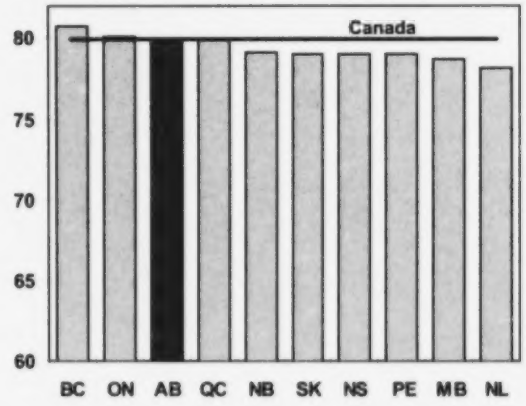
Quality of Life

OUTSTANDING

Each year, thousands of people from the rest of Canada are drawn to this province, well known for its exceptional standard of living. Alberta is a prosperous region, where residents share a rich natural environment and enjoy outstanding opportunities in recreation, arts and culture.

LIFE EXPECTANCY

2003 (years)*

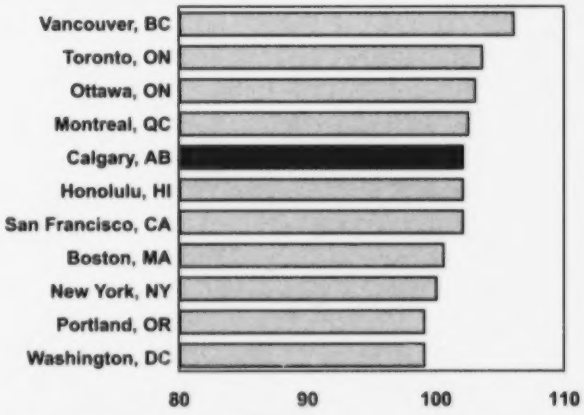


* Average life-span at birth.
Source: Statistics Canada

- In 2003, Alberta tied with Quebec for the third highest life expectancy at birth among provinces.

QUALITY OF LIFE INDEX

2005 (New York = 100.0)*

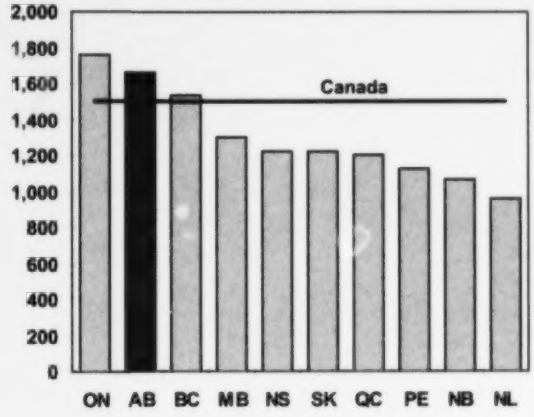


* 39 criteria based on political, social, economic, cultural, and natural environment; health; education; transportation; recreation; consumer goods; housing; and public services. Edmonton not included in survey.
Source: William M. Mercer Companies

- Based on an analysis of "Quality of Life," Calgary placed 25th out of 215 major cities in the world, tying with the highest ranked U.S. cities, Honolulu and San Francisco.

EXPENDITURE ON RECREATIONAL ACTIVITIES

2004 Average Expenditure Per Household (dollars per year)*

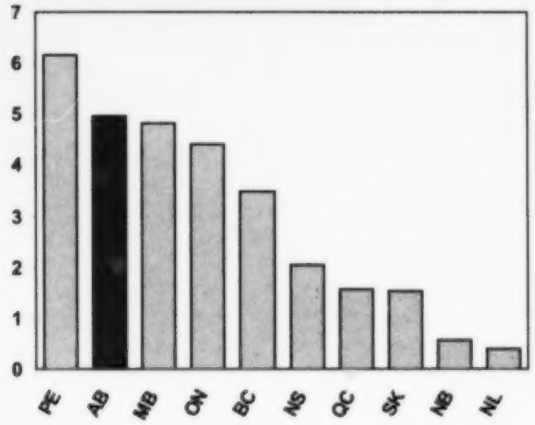


* Expenditure on recreation and entertainment.
Source: Statistics Canada

- With the highest average household income among provinces, Albertans are able to spend more on sports, performing arts, and other recreational and entertainment activities.

SUPPORT FOR PERFORMING ARTS

2003-04 Private Sector Donations (dollars per capita)*

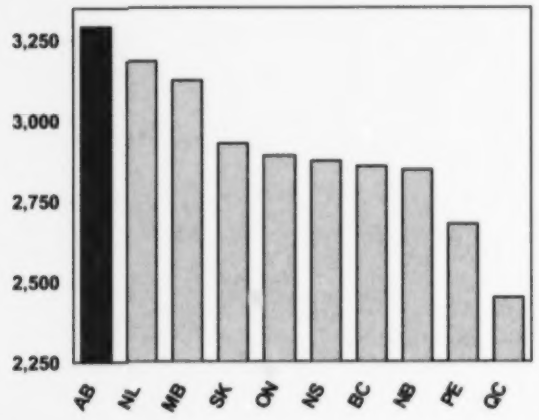


* Donations from individuals and foundations as well as donations and sponsorships from corporations.
Source: The Council for Business and the Arts in Canada

- On a per capita basis, Alberta ranks second highest among provinces for private sector support of the performing arts, according to the most recent data.

PROVINCIAL HEALTH EXPENDITURE

2005-06 (dollars per capita)*

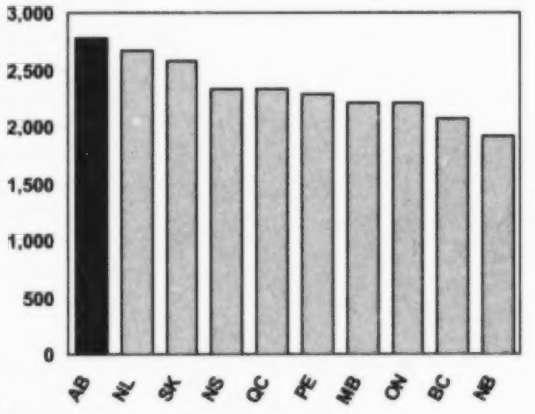


* Forecast
Source: Health Canada, CIHI and Alberta Health and Wellness

- In 2005-06, Alberta's health expenditures per capita are estimated the highest in Canada.

PROVINCIAL AND LOCAL EDUCATION EXPENDITURE

2004-05 (dollars per capita)*



* Provincial and local government education expenditures.
Source: Financial Management Systems, Statistics Canada

- In 2004-05, Alberta had the highest education expenditures on a per capita basis.

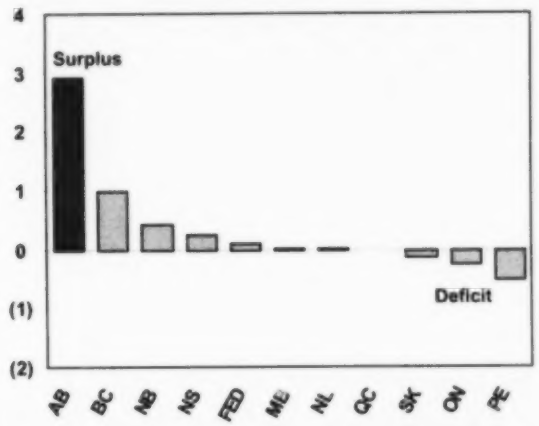
The Alberta Government

ACCOUNTABLE AND FISCALLY RESPONSIBLE

The Alberta government is committed to responding to the needs of its citizens, while ensuring a balanced budget. As the only province with no accumulated debt, Alberta continues to attract international attention as the most fiscally responsible government in Canada.

GOVERNMENT SURPLUSES (DEFICITS)

2005-06 (per cent of GDP)*



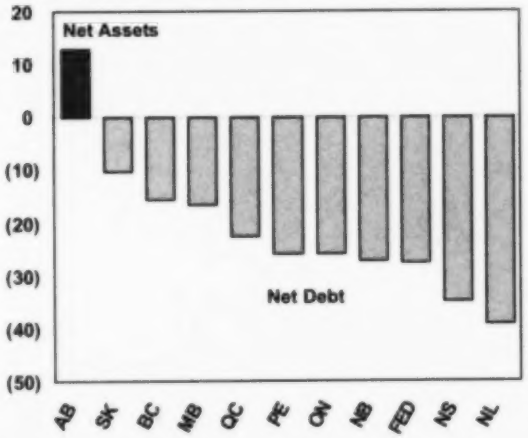
* Other governments as of February 23, 2006. Adjusted for fiscal stabilization fund transfers.

Source: Alberta Finance

- The Alberta government has a surplus of $7.4 billion in 2005-06. Alberta is committed to "living within its means."
- Alberta has the highest surplus as a percentage of GDP in 2005-06.

GOVERNMENT NET FINANCIAL ASSETS (DEBT)

March 31, 2006 (per cent of GDP)*



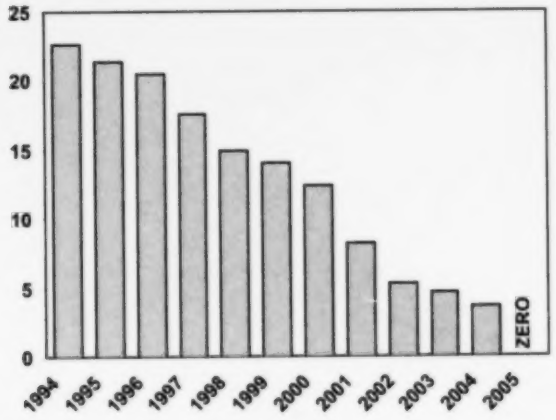
* Other governments as of February 23, 2006. On a consolidated basis where possible. Excludes pension liabilities.

Source: Alberta Finance

- Alberta is the only provincial government in Canada with total financial assets that exceed total liabilities.
- At March 31, 2006, Alberta's financial assets are forecast to be $39.7 billion. Total liabilities (excluding pension obligations) are forecast to be $12.5 billion, resulting in net financial assets of about $27.2 billion.

ALBERTA'S ACCUMULATED DEBT

March 31 (billions of dollars)*

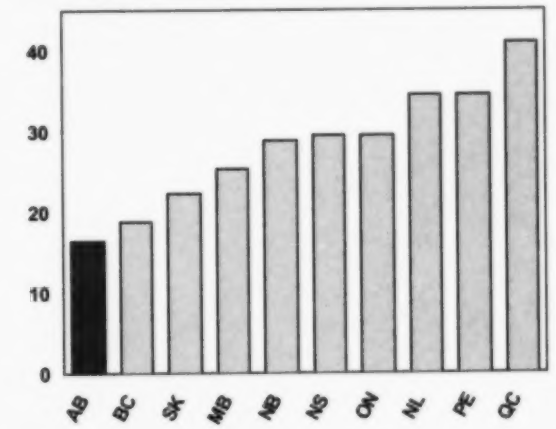


* Net of cash set aside in the Debt Retirement Account.
Source: Alberta Finance

- Alberta's accumulated debt was eliminated as of March 31, 2005.
- This was 20 years ahead of the debt retirement schedule originally legislated in the *Fiscal Responsibility Act*.

BORROWING COSTS

As of February 23, 2006 (basis points)*

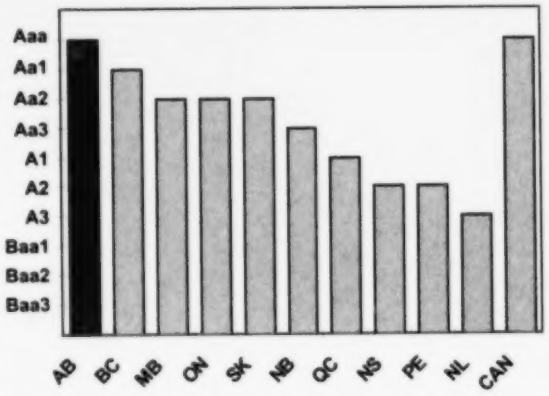


* Interest rates spread relative to 10-year Government of Canada bond rate. A basis point is one-hundredth of a percentage point.
Source: CIBC World Markets

- Alberta has the lowest interest rate spread relative to 10-year Government of Canada bonds of any province in Canada.
- Alberta's strong fiscal performance and top credit rating have led to lower borrowing costs for the province, its provincial corporations and agencies, and local authorities.

CREDIT RATING

As of February 23, 2006

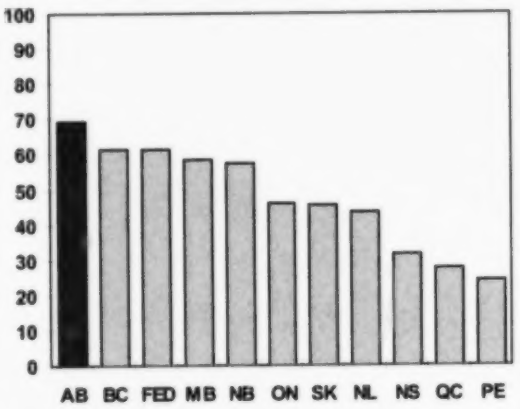


* Moody's Canadian domestic dollar debt ratings.
Source: Moody's Investors Services

- Alberta is the top province in Canada for credit worthiness. All major rating agencies (Standard and Poor's, Moody's, and Dominion Bond Rating Service) give Alberta "Triple A," the highest possible rating.
- The high ratings reflect Alberta's strong economic performance, high income levels, low debt burden, and prudent fiscal management.

FISCAL PERFORMANCE INDEX

2006 (100-point index scale)*

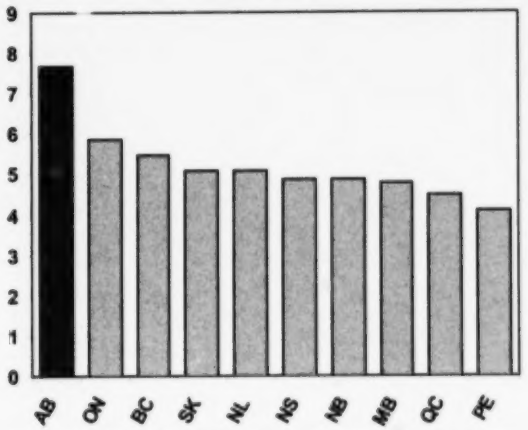


* Index includes 20 indicators of government taxation, spending, deficits and debt over the past five years (1999-00 to 2003-04).
Source: Fraser Institute

- For the ninth consecutive year, Alberta's fiscal performance rating topped all other provinces and the federal goverment on the Fraser Institute's Fiscal Performance Index (formally the Budget Performance Index.)
- According to the index, which is based on the tax and spending behaviour of governments, Alberta's performance surpassed British Columbia's second place ranking by 8 percentage points.

ECONOMIC FREEDOM INDEX - CANADA

2003 (10-point index scale)*



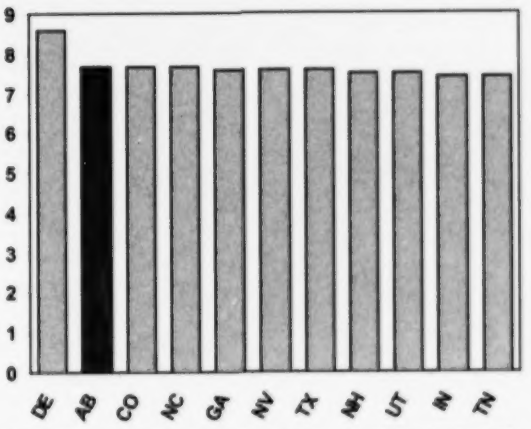
* Component ratings include government operations and regulations, taxation, and labour market regulations.

Source: Fraser Institute, 'Economic Freedom of North America', 2006 Annual Report

- The Fraser Institute's measure of economic freedom (which indicates the fostering of economic growth and prosperity through minimal government regulation and taxation) rates Alberta number one in Canada as a place to do business.

ECONOMIC FREEDOM INDEX - NORTH AMERICA

2003 (10-point index scale)*



* Component ratings include government operations and regulations, taxation, and labour market regulations.

Source: Fraser Institute, 'Economic Freedom of North America', 2006 Annual Report

- Alberta tied with Colorado and North Carolina for second place in the Fraser Institute's 2003 measure of economic freedom.

ALBERTA TAX ADVANTAGE

ALBERTA TAX ADVANTAGE

Table of Contents

Introduction 133
Tax Review 134
Corporate Income Taxes 134
Health Care Insurance Premiums 135
Personal Income Taxes 136
Dividend Tax Credit 137
School Property Taxes 138
Income Trusts 139

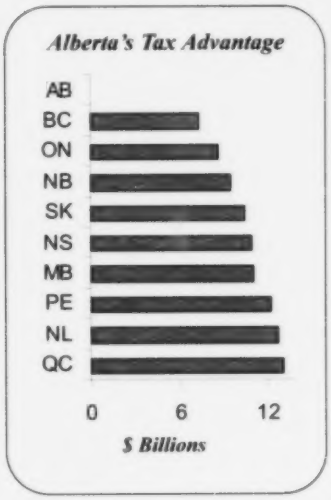
LIST OF TABLES AND CHARTS

Alberta's Tax Advantage 133
Corporate Income Tax Cuts Since 2000 135
Income Thresholds for Health Care Insurance Premium Subsidies 135
Basic Personal and Spousal Amounts, 2006 136
2006 Distribution of Personal Income Tax Burden 136
Alberta Non-Refundable Tax Credit Block 137
Provincial Uniform School Property Tax Rates 138
How Basic Education is Funded 138
Distribution of Property Tax Revenues 138
2006-07 Tax Revenue 140
2006-07 Revenue from Tax Sources 141
Interprovincial Tax and Health Care Insurance Premium Comparison, 2006 142
Major Provincial Tax Rates, 2006 143
Top Marginal Personal Income Tax Rates, 2006 143
Net Property Tax for a Single Family Home, 2005 144

Alberta Tax Advantage

HIGHLIGHTS

- Albertans continue to pay the lowest taxes in Canada.
- The general corporate income tax rate will be reduced to 10 per cent on April 1, 2006.
- Income thresholds for health care insurance premium subsidies will be increased by $5,000.
- School property tax rates will be reduced by over 7 per cent.
- Personal, spousal and eligible dependant amounts will rise by an additional $100 above indexation.



INTRODUCTION

Alberta has no general sales tax, no payroll tax, no capital tax, and low personal and corporate income taxes. If Albertans and Alberta businesses lived or were located in any other province, they would pay an additional $7.2 billion in taxes. In addition, over $1.3 billion was provided to Albertans earlier this year through the Alberta 2005 Resource Rebate. Our low tax environment means more money to spend and invest, helping to sustain the strongest economy in Canada.

The government has focused on building Alberta's tax advantage. From 1999 to 2001, the government phased in substantial cuts to personal taxes, including the introduction of the single rate tax and the highest income exemptions in Canada. We indexed our tax system in 2001, ensuring that the benefits of those cuts would not be eaten away by inflation. In 2005, the Alberta Family Employment Tax Credit was enhanced, increasing benefits to working families. The government has provided assistance to seniors, exempting them from health care insurance premiums and protecting them from any increases to school property taxes.

After making the large cuts to personal taxes, the government began to take steps to create a more competitive tax environment for business. Between 2001 and 2004, we reduced our general corporate income tax rate from 15.5 per cent to 11.5 per cent. The small business rate was cut in half, to 3 per cent, and the small business income threshold was doubled to $400,000.

Budget 2006 further strengthens the Alberta tax advantage. It includes measures to address emerging competitive pressures and to further enhance the fairness of the tax system, while meeting the government's commitment to reduce taxes in a sustainable, fiscally responsible manner.

TAX REVIEW

The government undertook an internal review of the province's tax system in 2005 to assess whether our tax system remains competitive and fair and encourages economic growth. The review examined a wide range of issues, including our competitiveness with other jurisdictions, ongoing revenue needs, priorities for future tax cuts and whether certain taxes should be eliminated entirely.

The review concluded that, for the most part, our tax system serves Alberta well. We are competitive within North America in attracting investment and skilled workers. Alberta's tax system is also fair, with the highest basic and spousal amounts in the country, allowing people to earn more money before paying any provincial income tax. Last, our tax system is simple and transparent, resulting in lower administrative and compliance costs for taxpayers and improved accountability to Albertans.

However, with no general sales tax, payroll taxes or capital taxes, Alberta's tax base is relatively narrow compared to other jurisdictions. While this is a benefit to Albertans, it also comes with some risks. A broader range of taxes means more stable revenues. With relatively fewer revenue sources, predictable funding for key public services is at more risk in the event of an economic slow-down. Consequently, it is inadvisable to eliminate or dedicate more taxes.

"...other countries are not standing still. The German government has proposed a cut in the federal corporate income tax rate from 25 to 19 percent. The U.S. will be cutting corporate income tax rates by 3 percentage points by 2010... As several other countries have reform proposals in mind that will lead to substantial changes to their corporate tax systems, effective tax rates around the world could be sharply lower by 2010."

C. D. Howe Institute, "The 2005 Tax Competitiveness Report: Unleasing the Canadian Tiger"

The review identified priorities for future tax cuts. A top priority for the government should be to reduce the general corporate income tax rate. While Alberta's economy is strong now, cutting corporate income taxes will benefit the province for years to come. On the personal side, the focus should be on providing tax relief that is directed primarily towards lower and middle income Albertans.

Our low-rate, broad-base policy provides a level playing field, letting the market, not government, determine the best places to spend and invest. The tax review reaffirmed that this approach to tax policy is the best way to attract investment and promote economic growth.

CORPORATE INCOME TAXES

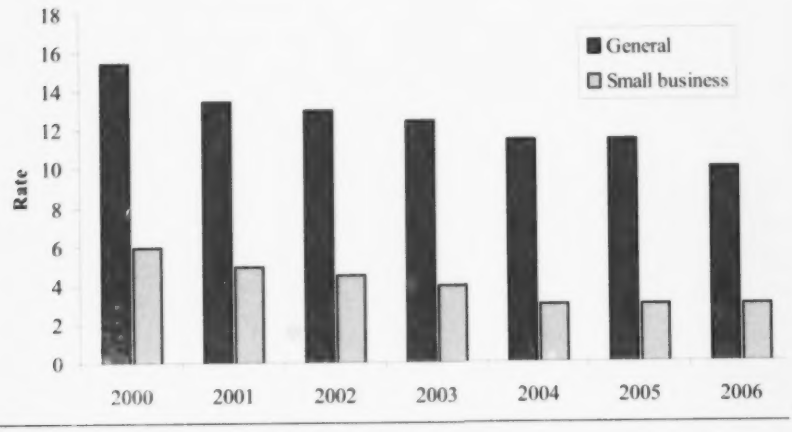
The government recognizes the importance of low corporate taxes in developing a strong economy. Low taxes help Alberta businesses compete in the global marketplace and attract investment to Alberta, meaning more jobs, stronger communities and a better quality of life for all Albertans. Since 2001, the government has made significant reductions to corporate income taxes.

Cutting the general corporate income tax rate to 10 per cent will save Alberta businesses $265 million in 2006-07.

Other countries are also recognizing the benefits of low corporate taxes, which makes it even more important that Alberta take steps to maintain its competitive advantage. Effective April 1, 2006, we will reduce the general corporate income tax rate to 10 per cent, lowering taxes for Alberta businesses by $265 million in 2006-07.

Corporate Income Tax Cuts Since 2000

(per cent)



Rate changes are effective on April 1 of each year.

A single mother with two children and a taxable income of $32,000 will now receive a full premium subsidy instead of a partial subsidy, saving her $719 each year.

A couple with a taxable income of $29,000 will be eligible to receive a partial subsidy. Instead of paying a full premium of $1,056, they will pay $420, saving them $636 each year.

An individual with taxable income of $16,000 will now be eligible for a full premium subsidy, saving $528 each year.

HEALTH CARE INSURANCE PREMIUMS

Health care insurance premiums serve as a reminder that health care is not free and that it has a substantial cost. In 2006-07, health care insurance premiums are forecast to raise $882 million for the health care system. Rates are $528 per year for individuals and $1,056 for couples and families.

To reduce the cost for lower income individuals, couples and families, the government provides full and partial premium subsidies. Currently, full premium subsidies are available to all seniors regardless of income, individuals making less than $12,450, couples earning less than $21,200 and families earning less than $27,210. People above those income amounts may qualify for a partial premium subsidy.

As of April 1, 2006, the government will raise the income level under which non-senior individuals, couples and families qualify for full or partial premium subsidies by $5,000. About 30,000 couples and families and 50,000 individuals will benefit from these changes, saving Albertans $30 million.

Income Thresholds for Health Care Insurance Premium Subsidies

(dollars)

	Previous		New	
	Full Subsidy	No Subsidy	Full Subsidy	No Subsidy
Individual	12,450	15,970	17,450	20,970
Couple	21,200	28,240	26,200	33,240
Family	27,210	34,250	32,210	39,250

PERSONAL INCOME TAXES

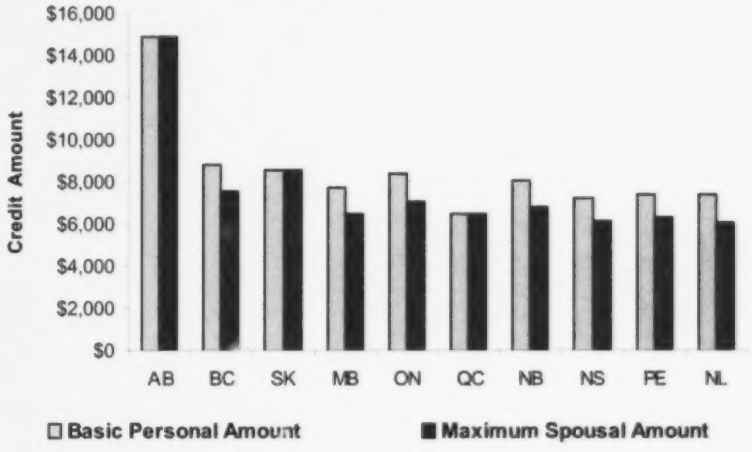
Albertans pay low personal income taxes, with the lowest top marginal income tax rate and the highest basic and spousal amounts in Canada. This is due in part to the cuts to personal income taxes made between 1999 and 2001, worth $1.5 billion at the time.

Over 1 million of Alberta's 2.36 million taxfilers pay no provincial income tax.

Albertans also benefit from not having to pay a general provincial sales tax. This particularly helps Albertans with lower incomes, who spend a higher portion of their income. In comparison, other provinces generate over 25 per cent of tax revenues from a general sales tax.

Alberta indexes its personal income tax system to offset inflation, protecting taxpayers. Tax credit amounts will increase by 1.9 per cent in 2006. We will also increase the basic, spousal and eligible dependant amounts by an additional $100, raising the amounts to $14,899 for 2006, up from $14,523 in 2005.

Basic Personal and Spousal Amounts, 2006



2006 Distribution of Personal Income Tax Burden

- top 15% of income earners
- middle 35% of income earners
- bottom 50% of income earners

As was announced in Budget 2005, annual indexing of the Alberta Family Employment Tax Credit will begin in July 2006. Payments in July 2006 and January 2007 will rise to $560 for the first child, $510 for the second, $306 for the third and $102 for the fourth. The income level at which the credit begins to be phased out will rise from $25,000 to $25,475.

With these increases, a typical single Albertan can earn $15,800 without paying any provincial income taxes. A typical working family with two children can earn up to $37,000 before paying provincial income taxes, as the Alberta Family Employment Tax Credit offsets any taxes paid to that level.

Alberta Non-Refundable Tax Credit Block

(dollars)

	2005		2006	
	Maximum Amount	Deduction from Alberta Tax	Maximum Amount	Deduction from Alberta Tax
Basic personal amount	14,523	1,452	14,899	1,490
Spousal amount	14,523	1,452	14,899	1,490
Eligible dependant amount	14,523	1,452	14,899	1,490
Age amount	4,074	407	4,152	415
Infirm dependant amount	3,940	394	4,015	402
CPP contributions	1,861	186	1,911	191
Employment Insurance contributions	761	76	729	73
Pension income amount	1,126	113	1,147	115
Disability amount	6,755	676	6,883	688
Disability supplement	3,940	394	4,015	402
Tuition and education amounts	Variable	Variable	Variable	Variable
Adoption expenses	10,000	1,000	10,190	1,019
Medical expenses	Variable	Variable	Variable	Variable
Medical expenses (other dependants)	10,000	1,000	10,190	1,019
Caregiver amount	3,940	394	4,015	402
Interest on student loans	Variable	Variable	Variable	Variable
Donations and gifts				
- first $200	200	20	200	20
- over $200	75% of income	Variable	75% of income	Variable

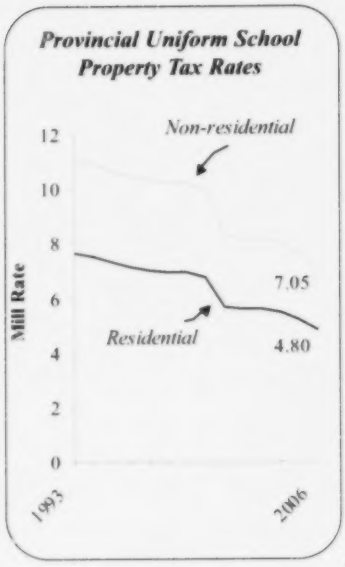
In general, credit amounts are multiplied by 10% to arrive at the deduction from Alberta tax. In the case of donations and gifts over $200, the credit rate is increased to 12.75%.

Dividend Tax Credit

In November 2005, the previous federal government announced changes to its dividend tax credit in order to reduce the disparities in tax treatment of distributions from income trusts compared to dividends from corporations. The federal proposal creates a two-tier dividend tax credit. Individuals will be permitted to claim a dividend tax credit at a higher rate to the extent that the dividend income was paid from corporate income taxed at the general corporate income tax rate. This is intended to eliminate "double taxation" of income taxed at the general corporate rate.

In principle, any change that removes distortionary tax treatment is good. However, Alberta will wait for more details from the new federal government before announcing, later this year, whether it will adopt a similar treatment.

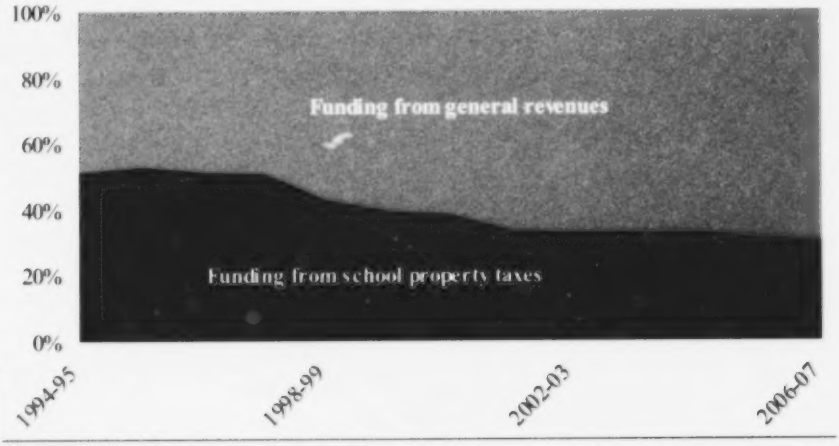
SCHOOL PROPERTY TAXES

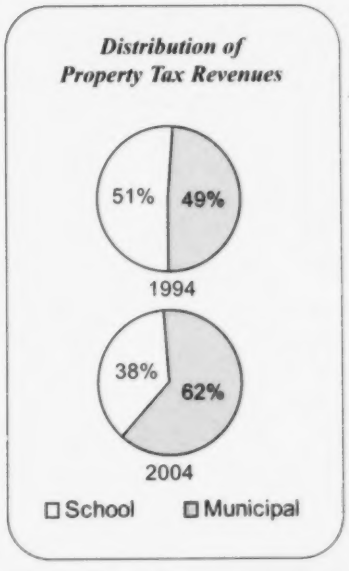


Albertans pay among the lowest property taxes in Canada. Since the province took over responsibility for the school property tax in 1994, tax rates have been either reduced or frozen each year, for total reductions of over 36 per cent. School property tax rates will be reduced further in 2006, by about 7.1 per cent. Rates for residential property and farm land will be reduced to $4.80 from $5.17 per $1,000 of equalized assessment. Commercial property rates will fall to $7.05 from $7.59 per $1,000 of equalized assessment.

Revenue from the school property tax goes to support basic education in Alberta. In 2006-07, revenue from the school property tax is expected to be $1.475 billion, including revenue of $169 million for opted-out school boards. Provincial government revenue will be $1.306 billion, an increase of 1.7 per cent from 2005-06. School property tax revenues will account for 30 per cent of the total funding for basic education (excluding capital) in 2006-07, compared to 51 per cent in 1994-95.

How Basic Education is Funded





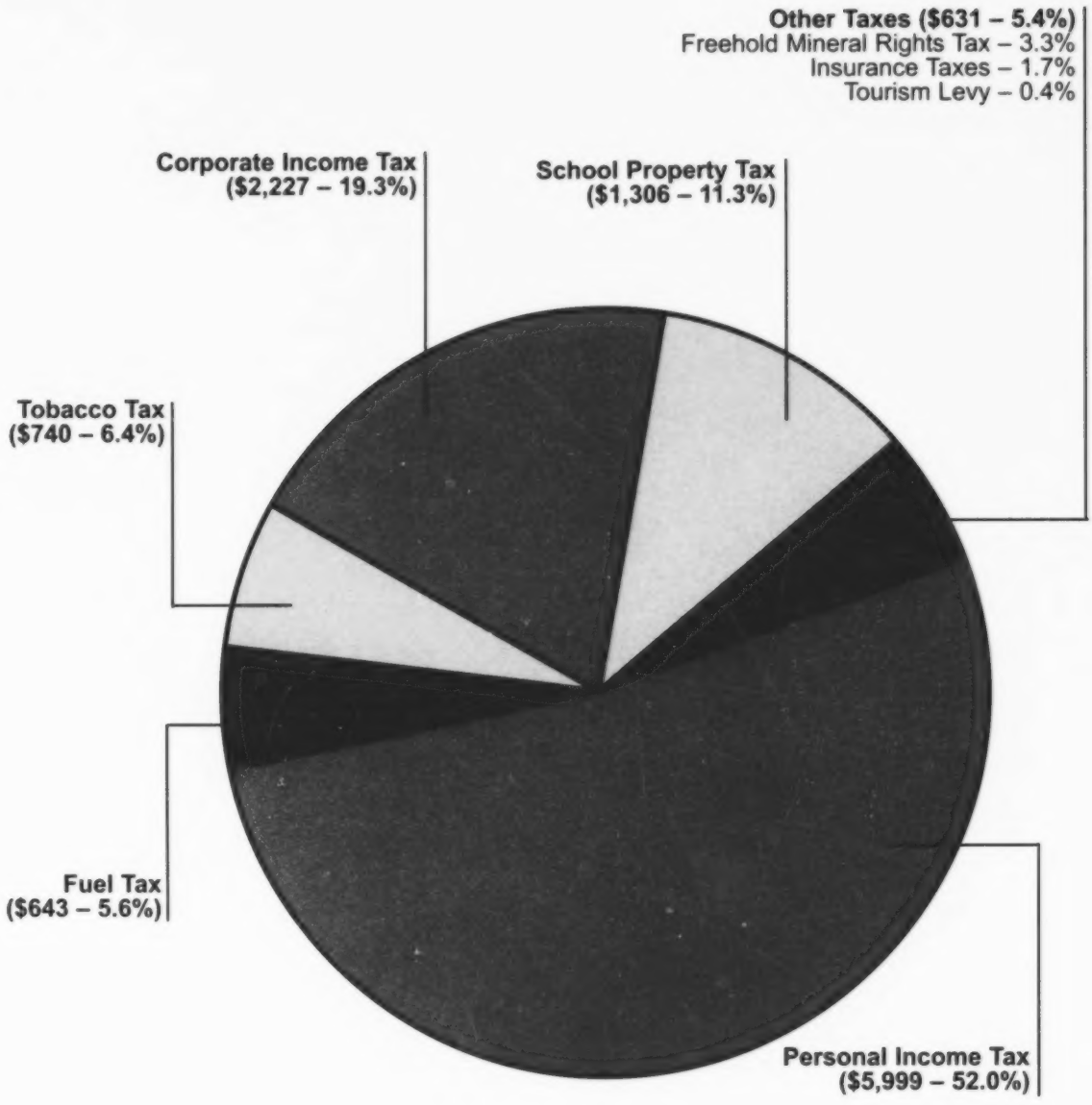
While revenue from the school property tax has increased in recent years, the province's record of rate reductions means that the province takes proportionately less revenue from the total combined provincial/municipal property tax every year. In 2004, the last year for which statistics are available, school property tax revenue accounted for 38 per cent of total property tax revenue, compared to 51 per cent in 1994. This record of rate cutting has benefitted municipalities by freeing up tax room, providing them with the ability to obtain additional revenue from the property tax base. Taxpayers have benefitted from lower property tax rates to the extent that municipal tax increases have been lower than the provincial reductions.

INCOME TRUSTS

Income trusts have become a popular investment vehicle, and the number of corporations transforming themselves into income trusts has grown in recent years. When corporations change themselves into income trusts, the way in which they are taxed also changes. When income is earned through a corporation, it is subject to corporate income tax in the province where the business is located. With the shift to income trusts, no corporate income tax is paid on the income. As a consequence, some businesses that operate in Alberta, using Alberta's infrastructure, do not contribute to the costs of that infrastructure.

Rather than paying tax at the business level, investors pay personal income tax on the income in their province of residence. Alberta has 10 per cent of Canada's population, yet over 60 per cent of Canada's market capitalization for income trusts. The shift from corporate income tax, which is taxed in Alberta, to personal income tax, which is taxed in the jurisdiction where the investor lives, means that Alberta has lost revenue, and will continue to do so. A recent estimate puts Alberta's net revenue loss at about $400 million per year. As part of its ongoing review of the tax system, Alberta is examining this issue.

2006-07 Tax Revenue
$11,546 million


Other Taxes ($631 – 5.4%)
Freehold Mineral Rights Tax – 3.3%
Insurance Taxes – 1.7%
Tourism Levy – 0.4%
Corporate Income Tax ($2,227 – 19.3%)
School Property Tax ($1,306 – 11.3%)
Tobacco Tax ($740 – 6.4%)
Fuel Tax ($643 – 5.6%)
Personal Income Tax ($5,999 – 52.0%)

2006-07 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. Personal Income Tax	**5,999**		
Single rate tax	6,079	10.0%	607.9 per point
Family Employment Tax Credit	(80)		(difficult to express in per unit terms)
2. Corporate Income Tax	**2,227**		
General	1,930	10.0%	193.0 per point
Small business	297	3.0%	99.0 per point
3. School Property Tax [a]	**1,306**		
Residential/farm	780	$4.80/$1,000 of assessment	162.5 per mill
Non-residential	526	$7.05/$1,000 of assessment	74.6 per mill
4. Tobacco Tax	**740**	$32/carton	23.1 per $/carton
5. Fuel Tax	**643**		
Gasoline and diesel	624	9.0 ¢/litre	69.3 per ¢/litre
Propane	5	6.5 ¢/litre	0.8 per ¢/litre
Aviation	10	1.5 ¢/litre	6.7 per ¢/litre
Railway	4	1.5 ¢/litre	2.7 per ¢/litre
6. Freehold Mineral Rights Tax	**386**		(difficult to express in per unit terms)
7. Insurance Taxes	**195**		
Life, accident, sickness	57	2% of premium	28.5 per point
Automobile and other	138	3% of premium	46.0 per point
8. Tourism Levy	**50**	4.0%	12.5 per point

[a] Does not include revenue of $169 million raised for opted-out school boards.

Interprovincial Tax and Health Care Insurance Premium Comparison, 2006

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Employment Income of $30,000 – One-Income Family with Two Children										
Provincial income tax	**(910)**	597	504	507	(380)	(3,923)	977	979	1,115	1,444
Provincial sales tax	**-**	715	476	860	895	1,194	1,153	1,135	1,285	1,275
Health care premium	**-**	-	-	-	225	-	-	-	-	-
Payroll tax	**-**	-	-	232	273	643	-	-	-	169
Fuel tax	**270**	435	450	345	441	456	435	465	621	495
Subtotal	**(640)**	1,747	1,430	1,944	1,454	(1,630)	2,565	2,579	3,021	3,383
Tobacco tax	**800**	895	875	875	615	515	588	776	873	850
Total	**160**	2,642	2,305	2,819	2,069	(1,115)	3,153	3,355	3,894	4,233
Alberta Advantage		2,482	2,145	2,659	1,909	(1,275)	2,993	3,195	3,734	4,073
Employment Income of $60,000 – Two-Income Family with Two Children										
Provincial income tax	**1,865**	1,655	2,850	3,088	1,352	904	3,130	3,095	3,318	3,652
Provincial sales tax	**-**	1,029	851	1,220	1,455	1,992	1,660	1,637	1,851	1,842
Health care premium	**792**	972	-	-	265	-	-	-	-	-
Payroll tax	**-**	-	-	463	546	1,286	-	-	-	337
Fuel tax	**405**	653	675	518	662	684	653	698	932	743
Subtotal	**3,062**	4,309	4,376	5,289	4,280	4,866	5,443	5,430	6,101	6,574
Tobacco tax	**800**	895	875	875	615	515	588	776	873	850
Total	**3,862**	5,204	5,251	6,164	4,895	5,381	6,031	6,206	6,974	7,424
Alberta Advantage		1,342	1,389	2,302	1,033	1,519	2,169	2,344	3,112	3,562
Employment Income of $100,000 – Two-Income Family with Two Children										
Provincial income tax	**5,153**	4,437	6,752	7,533	4,438	7,779	7,319	7,560	7,517	8,557
Provincial sales tax	**-**	1,567	1,277	1,819	2,176	2,817	2,485	2,439	2,775	2,738
Health care premium	**792**	972	-	-	675	-	-	-	-	-
Payroll tax	**-**	-	-	772	910	2,144	-	-	-	562
Fuel tax	**405**	653	675	518	662	684	653	698	932	743
Subtotal	**6,350**	7,629	8,704	10,642	8,861	13,424	10,457	10,697	11,224	12,600
Tobacco tax	**800**	895	875	875	615	515	588	776	873	850
Total	**7,150**	8,524	9,579	11,517	9,476	13,939	11,045	11,473	12,097	13,450
Alberta Advantage		1,374	2,429	4,367	2,326	6,789	3,895	4,323	4,947	6,300

Calculations are based on other provinces' tax parameters known as of February 23, 2006.

Assumptions:

- Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
- Health care insurance premiums are net of premium subsidies.
- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for the net health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one-income families and 4,500 litres for two-income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- RRSP/RPP contributions of $1,000, $7,800 and $13,500 are included in the calculation of personal income tax for the $30,000, $60,000 and $100,000 families, respectively.
- For two-income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2006

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Personal Income Tax											
Statutory rate range											
– lowest rate	(%)	10.00	6.05	11.00	10.90	6.05	16.00[a]	9.68	8.79	9.80	10.57
– highest rate	(%)	10.00	14.70	15.00	17.40	11.16	24.00[a]	17.84	17.50	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Credit amounts											
– Personal amount	($)	14,899	8,858	8,589	7,734	8,377	6,520	8,061	7,231	7,412	7,410
– Spousal amount	($)	14,899	7,585	8,589	6,482	7,113	6,520	6,845	6,140	6,294	6,055
Corporate Income Tax											
General rate	(%)	10.0	12.0	17.0	14.5	14.0	9.9	13.0	16.0	16.0	14.0
M&P rate	(%)	10.0	12.0	10-17[b]	14.5	12.0	9.9	13.0	16.0	16.0	5.0
Small business											
– rate	(%)	3.0	4.5	5.0	4.5	5.5	8.5	2.0	5.0	6.5	5.0
– threshold	($000)	400	400	300	400	400	400	450	350	300	300
Capital Tax											
General	(max.%)	—	—	0.60	0.50	0.30	0.525	0.25	0.275	—	—
Financial institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.30[c]	3.00	4.00	5.00	4.00
Retail Sales Tax	(%)	—	7.0	7.0	7.0	8.0	7.5[d]	8.0	8.0	10.0[d]	8.0
Gasoline Tax	(¢/litre)	9.0	14.5[e]	15.0	11.5	14.7	15.2[e,f]	14.5[f]	15.5[f]	20.7[g]	16.5[f]
Tobacco Tax	($/carton)	32.00	35.80	35.00[f]	35.00[f]	24.70	20.60	23.50[f]	31.04[f]	34.90	34.00[f]
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26[h]	—	—	—	2.00

Rates for other provinces known as of February 23, 2006.

a Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs.

b The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

c The Quebec financial institutions capital tax includes the base rate of 1.05% and a compensatory tax of 0.25%.

d These provinces apply their retail sales tax on the retail price of the good inclusive of the GST.

e An additional 6¢/litre is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.

f These provinces apply their retail sales taxes on the retail price of the good inclusive of the particular excise tax.

g This rate is based on an 11.5 ¢/litre base rate and 10.7% of the average wholesale price and is recalculated on a monthly basis.

h Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Top Marginal Personal Income Tax Rates, 2006

(per cent)

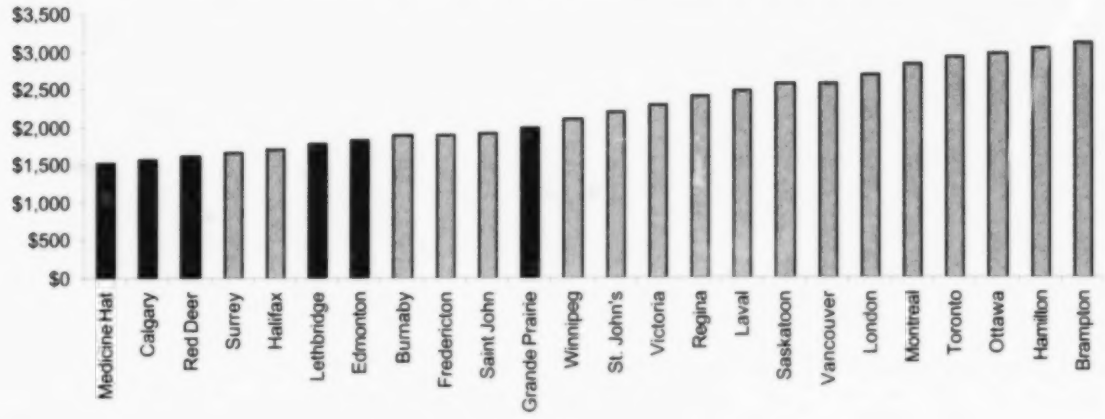
	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Federal	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Provincial	10.00	14.70	15.00	17.40	17.41	24.00	17.84	19.25	18.37	19.64
Federal abatement[a]	—	—	—	—	—	(4.79)	—	—	—	—
Total	39.00	43.70	44.00	46.40	46.41	48.21	46.84	48.25	47.37	48.64

Rates for other provinces known as of February 23, 2006.

a Quebec residents receive an abatement of 16.5% of basic federal tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top federal rate of 29% by 16.5%, or 4.79% of taxable income.

Net Property Tax for a Single Family Home, 2005

(selected Canadian cities)



Notes:

1. Includes municipal, regional and school taxes, net of any applicable homeowner grants.
2. Taxes are based on the value of a single family home, defined as a 25-30 year old detached bungalow with 3 bedrooms, a main floor area of 1,200 square feet, finished full basement, double car garage, and a 6,000 square foot lot. Information for Vancouver and Burnaby is based on an average value home that may differ from the above definition. Information for Edmonton, Halifax and Toronto is based on the median value of a single detached house that may differ from the above definition.

Source: City of Edmonton, Planning and Development, 2005 Residential Property Taxes & Utility Charges Survey.

RESPONSE TO AUDITOR GENERAL

RESPONSE TO THE AUDITOR GENERAL

Table of Contents

Response to the Auditor General 147
Expanding the Government's Consolidated Reporting Entity for Financial Statement Purposes 157

Response to the Auditor General

Every year the Auditor General prepares an annual report on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's 2004-05 Annual Report and the government's response to each of them.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Cross-Ministry	
1. Recruiting, evaluating and training boards of directors We recommend that the Deputy Minister of Executive Council update Alberta public sector governance principles and guidance so that they are consistent with current good practices for recruiting, evaluating and training directors.	Accepted. The Deputy Minister of Executive Council will work with other Deputy Ministers to review governance principles and provide guidance to governing boards. The Public Service Commissioner's Directive on Recruitment for Agencies, Boards and Commissions will be reviewed and updated in 2006-07.
2. Recruiting, evaluating and training boards of directors We recommend that the guidance include a statement that governing boards evaluate and report publicly their own performance against both Alberta public sector principles and their own board governance policies.	Accepted. Guidance to governing boards will include advice on reporting board performance.
3. Internal audit departments We recommend that the Deputy Minister of Executive Council provide audit committees with guidance for overseeing internal audit departments, including identifying related training.	Accepted. Guidance for overseeing internal audit departments will be provided.
4. Targets for Societal Measures We recommend that the Department of Finance develop guidance relating to the purpose, definition and use of societal measures.	Accepted. The Ministry of Finance will develop guidance related to the purpose, definition and use of societal measures in government and ministry business plans.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Seniors Care and Programs	
5. Developing and maintaining standards We recommend that the Department of Health and Wellness, working with the Regional Health Authorities and the Department of Seniors and Community Supports, update the Basic Service Standards for services in long-term care facilities and implement a system to regularly review and update the Basic Service Standards to ensure they remain current. (Report of the Auditor General on Seniors Care and Programs, No. 1 - page 29)	Accepted. Standards for accommodation and health services provided in continuing care (including long-term care facilities) have been drafted and were part of the MLA Task Force consultations that took place between June and September 2005. The standards were revised based on feedback received during the consultations. The Task Force submitted its final draft standards recommendations to Seniors and Community Supports and Health and Wellness in December 2005 with planned implementation of the standards beginning in 2006-07. A review system will be created to ensure the standards are regularly updated.
6. Compliance with Basic Service Standards We recommend that the Department of Health and Wellness and the Regional Health Authorities, working with the Department of Seniors and Community Supports, improve the systems for monitoring the compliance of long-term care facilities with the Basic Service Standards. (Report of the Auditor General on Seniors Care and Programs, No. 2 - page 31)	Accepted. Health and Wellness, Regional Health Authorities and Seniors and Community Supports to establish effective, coordinated mechanisms for monitoring compliance with health service and accommodation standards in long-term care facilities. This process includes reviewing the roles, legislation and policies of the Health Facilities Review Committee and the Protection for Persons in Care Office. In addition, Health and Wellness, through the 2006-09 three-year health plan process, will require all Regional Health Authorities to have a monitoring and performance audit system to measure the compliance of long-term care facilities to the Continuing Care Health Service Standards.
7. Effectiveness of services in long-term care facilities We recommend that the Department of Health and Wellness and the Regional Health Authorities, working with the Department of Seniors and Community Supports, assess the effectiveness of services in long-term care facilities. (Report of the Auditor General on Seniors Care and Programs, No. 3 - page 34)	Accepted. Health and Wellness and Regional Health Authorities, with support from Seniors and Community Supports, will implement the Inter*RAI* system in long-term care facilities. Health and Wellness began initial implementation of the Inter*RAI* system in April 2005 with expected completion by 2007.
8. Effectiveness of services in long-term care facilities We recommend that the Department of Health and Wellness, working with the Department of Seniors and Community Supports, collect sufficient information about facility costs from the Regional Health Authorities and long-term care facilities to make accommodation rate and funding decisions. (Report of the Auditor General on Seniors Care and Programs, No. 4 - page 35)	Accepted. A mechanism to monitor costs associated with the provision of long-term care accommodation services has been developed by Seniors and Community Supports. Operator expenditure patterns for the 2004-05 fiscal year are being reviewed and based on the results of the analysis, recommendations will be made for a rate adjustment. A revised template for a financial reporting system will be developed in a phased-in approach by Health and Wellness, with the target date for the first phase of implementation in 2006-07.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
9. Determining future needs for services in long-term care facilities We recommend that the Department of Health and Wellness, working with Regional Health Authorities and the Department of Seniors and Community Supports, develop a long-term plan to meet future needs for services in long-term care facilities. We also recommend that the Departments publicly report on progress made towards goals in the plan. (Report of the Auditor General on Seniors Care and Programs, No. 5 - page 39)	Accepted. Health and Wellness and Regional Health Authorities, with support from Seniors and Community Supports, to develop a long-term plan to meet future service needs in long-term care facilities. This will be achieved by Health and Wellness leading the development of a Health Policy Framework and a Health System Service Plan in 2006. Progress made towards the goals in the plan will be reported publicly.
10. Standards for services in assisted living and other supportive living settings We recommend that the Department of Health and Wellness and the Department of Seniors and Community Supports establish standards for care and housing services provided in assisted living and other supportive living settings. (Report of the Auditor General on Seniors Care and Programs, No.6 - page 45)	Accepted. Standards for accommodation and publicly funded health services provided in supportive living facilities, including seniors lodges, have been drafted and were part of the MLA Task Force consultations that took place between June and September 2005. The standards were revised based on feedback received during the consultations. The Task Force submitted its final draft standards recommendations to Seniors and Community Supports and Health and Wellness in December 2005 with planned implementation of the standards beginning in 2006-07.
11. Developing and monitoring standards for the Seniors Lodge Program We recommend that the Department of Seniors and Community Supports: 1. update the Seniors Lodge Standards and implement a process to maintain them, and	Accepted. The Seniors Lodge Standards have been incorporated into the *Alberta Continuing Care Health Service and Accommodation Standards*. To test the standards, this Ministry is currently conducting surveys in 30 lodges. A process will be implemented to keep standards current.
2. improve its systems to monitor management bodies' compliance with the Seniors Lodge Standards. (Report of the Auditor General on Seniors Care and Programs, No. 7 - page 48)	A process for monitoring management bodies' compliance with the standards will be implemented in 2006-07.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
12. Effectiveness of Seniors Lodge Program	
We recommend that the Department of Seniors and Community Supports: 1. improve the measures it uses to assess the effectiveness of the Seniors Lodge Program, and	Accepted in principle. The Ministry will continue to monitor whether lodges are serving primarily low and moderate-income seniors. Lodge surveys will continue to be used to measure the effectiveness of the Senior Citizens Lodge Program in providing quality services.
2. obtain sufficient information periodically to set the minimum disposable income of seniors used as a basis for seniors lodge rent charges. (Report of the Auditor General on Seniors Care and Programs, No. 8 - page 49)	The Ministry will continue to obtain information periodically to adjust, if necessary, the minimum disposable income of seniors used as a basis for seniors lodge rates.
13. Information to determine program benefits	
We recommend that the Department of Seniors and Community Supports obtain further information necessary to make income threshold, cash benefit and supplementary accommodation benefit decisions for the Alberta Seniors Benefit Program. (Report of the Auditor General on Seniors Care and Programs, No. 9 -page 56)	Accepted. In 2006-07 Seniors and Community Supports will look to improve and develop senior specific model(s) and datasets to better identify seniors' financial needs and aid in the decision making process.
Sustainable Resource and Environmental Management (SREM)	
14. SREM implementation plan	
We recommend that the Deputy Ministers of Energy, Environment, and Sustainable Resource Development, with the help of the Sustainable Resource and Environmental Management (SREM) Project Office: • publish a SREM implementation plan with projects, deliverables and deadlines, together with responsibilities and costs, and • report annually to the Standing Policy Committee on their progress in implementing the SREM strategy envisaged in *Alberta's Commitment to Sustainable Resource and Environmental Management*.	Accepted in principle. The Sustainable Resource and Environmental Management (SREM) activities of the three ministries will be identified in the business plans of the ministries. The business plans are reviewed on an annual basis by Standing Policy Committee.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Advanced Education	
15. Designating programs as eligible	
We recommend that the Department of Advanced Education: • consistently use graduation and employment data, along with loan relief benefit grant (LRB grant) repayments, in assessing which programs will continue to be eligible for student funding, and	Accepted. The Ministry agrees that expanding the use of existing data (such as graduate, employment and grant repayments) could improve the assessment of programs and the related eligibility for student funding. In 2005-06, the Ministry will investigate opportunities to expand the use of existing data.
• test the reliability of student graduation and employment data from private institutions with students who have student loans.	The Ministry will expand testing of the reliability of student graduation and employment data for private institutions in 2005-06.
16. Departmental compliance tests	
We recommend that the Department of Advanced Education: • test and evaluate the risk of issuing excessive loans and LRB grants because of invalid student eligibility information, and • automate the process it uses to determine whether income variances are due to Department grants.	Accepted. In 2005-06, the Ministry will review and determine where gaps exist and where business processes can be made more effective and efficient. This will include expanded testing of eligibility data and evaluating opportunities to automate processes.
17. Public post-secondary institutions purchasing	
We recommend that the Department of Advanced Education work with post-secondary institutions to find opportunities to purchase goods and services at better prices.	Accepted. Under certain circumstances it may be appropriate for institutions to pursue collective purchasing and the Ministry will, where appropriate, advocate this by encouraging the institutions and other government departments to share information regarding procurement.
18. Research roles and responsibilities	
We recommend that the University of Calgary define research management roles and responsibilities.	Accepted. The University of Calgary is now undertaking a review of its Research Services and Research and Trust Accounting areas. As part of the review, it is looking at interactions with other areas and stakeholders, and will develop roles and responsibilities as appropriate.
19. Information technology planning and governance	
We recommend that Athabasca University improve its information technology planning and governance by: • completing the definition of its overall information technology strategy, and preparing and implementing a plan to achieve the strategy, • adopting a formal information technology internal control system framework, • creating an overall steering committee to manage information technology.	Accepted. Athabasca University has appointed a Chief Information Officer and has implemented a project approval policy and project management process. It will take such additional steps as implementing a Technology Governance Framework and University-wide multi-year information technology systems plans to further improve the Information Technology area.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Agriculture, Food and Rural Development	
20. Grant management system We again recommend that the Department of Agriculture, Food and Rural Development evaluate the performance of its grant programs in meeting Ministry goals. This includes evaluating the grant programs themselves, as well as individual grants under the programs. (2000-2001 - No. 3)	Accepted. Although discussions have taken place regarding the performance and related program adjustments for grant programs, it is evident that discussions have not been documented to validate that the intended outcomes are being effectively managed. Appropriate resources will be allocated to implement processes that will demonstrate full implementation of the recommendation.
21. Awarding Beginning Farmer Loans We recommend that the Agriculture Financial Services Corporation: • clearly define eligibility criteria for the Beginning Farmer Loans program. • document its evaluation of the loan applicant against the program eligibility criteria. • analyze the borrower's financial condition before approving the loan in accordance with its procedures. • monitor accounts in arrears in accordance with its procedures. • complete an analysis to support the level of program fees charged. • monitor and evaluate the borrower against the eligibility criteria required to earn the interest rate discount.	Accepted. Following a review of the objectives of the program, policies regarding loan eligibility and incentives will be reviewed and redefined as required to ensure that the criteria are clear, measurable and can be applied consistently. Criteria will be developed to establish the basis on which loan fees are determined as well as how they compare to the lending industry. Procedural improvements will be made to ensure that evaluation and analysis of borrowers' repayment capacity is undertaken and properly documented and to ensure that the level of file administration and documentation is appropriate for security valuation and monitoring and follow-up of delinquencies.
22. Managing the Beginning Farmer Loans program We recommend the Agriculture Financial Services Corporation: • develop a human resource plan for lending that identifies the staff and skills required to deliver farm lending programs. • develop measures to assess whether the objectives of the Beginning Farmer Loans program are being met. • monitor the operational plan against the results achieved and report on those results.	Accepted. Under a restructuring plan currently in progress, all lending staff will become knowledgeable and responsible for delivery of all of Agriculture Financial Services Corporation's (AFSC) farm and commercial loan products. The required experience and skill sets of staff will be determined and the appropriate staff numbers defined and implemented. Once the objectives of the program are reviewed and redefined, AFSC will develop measures to assess whether the objectives of the program are being met. Monitoring achieved results against the lending tactical plan on a quarterly basis is now documented.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
23. Administering the Canadian Agriculture Income Stabilization program	
We recommend the Agriculture Financial Services Corporation improve controls over the administration of the Canadian Agricultural Income Stabilization program by: • documenting its policies and procedures. • strengthening its claim verification procedures. • maintaining sufficient documentation on file. • developing criteria for waiving the application of the structural change. • developing criteria to identify high-risk participants. • testing spreadsheets before implementing them.	Accepted. Agriculture Financial Services Corporation (AFSC) is currently reviewing each of the recommendations to update the procedures, policies, claim verification, inventory pricing and approvals to improve consistency and internal controls to ensure claims are processed accurately and completely. The program compliance and investigations area is also being strengthened to better identify and deal with high-risk clients for all programs administered by AFSC. For future provincial and national changes to the Canadian Agricultural Income Stabilization program, AFSC will complete detailed analyses to determine their impact before the changes are implemented.
Children's Services	
24. Contract approvals	
We recommend that the Ministry of Children's Services sign contracts (whether new or renewal) before contractors supply goods or services.	Accepted. In April 2005, the Ministry approved a new contract policy that requires all contracts to be signed prior to the commencement of services, or where a contract is to be renewed, the renewal must be signed by all parties prior to the effective date of the renewal. The Ministry has also drafted a Contract Policy and Procedures Manual and is working on a Contract Management training program to be delivered to all staff involved in the contracting process.
25. First Nation expense recoveries	
We again recommend that the Ministry of Children's Services improve its systems to recover expenses for providing services to children and families ordinarily resident-on-reserve. (2001-2002 - No. 7)	Accepted. The Ministry has taken a number of steps to address the segregation of duties and reconciliation issues raised in the Auditor General's report. A project is also underway to identify improvements to the existing practices for handling both on- and off-reserve billings. In addition, the Ministry continues to pursue Billing Procedures and Protocol Addendums to the Agreements with the Delegated First Nations Agencies, and to address the funding formula for administration costs with the federal government.
Community Development	
26. Wild Rose grants to Applewood	
We recommend that The Wild Rose Foundation review the results of our audit into the grants to Applewood Community Association and take appropriate action.	Accepted. The Wild Rose Foundation Board is seeking recovery of the third grant of $20,000 in accordance with section 4 of the Wild Rose Foundation Regulation. The Foundation is also tightening the grant application, guidelines and accountability report requirements for the International Development program.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Education	
27. Savings generated by Learning Resources Centre We recommend that the Department of Education implement a system to periodically evaluate the savings generated by the Learning Resources Centre and identify opportunities for additional savings.	Accepted. Although the Ministry completes individual initiative evaluations, an overall evaluation report will be completed in 2006-07 to quantify all cost savings realized by the Centre and identify areas for further savings. This initial report will cover all cost saving initiatives to date, with subsequent reports every three to five years to provide updates.
Energy	
28. Assurance on well and production data We recommend the Department of Energy: • complete its risk assessment and evaluate the assurance obtained from the Petroleum Registry System and the Department's controls over well and production data, and • communicate to the Alberta Energy and Utilities Board how much assurance, if any, the Department needs over the completeness and accuracy of well and production data.	Accepted. The Ministry continues to work with the Production Audit Team from the Alberta Energy and Utilities Board in an effort to resolve the issues. Upon receipt of a copy of the Production Audit Team's 2004-2005 annual report, the Ministry will be in a position to quantify the volumetric reconciliation exceptions, the status of volumetric discrepancies, and then rationalize volume audits to volumetric balancing. With this information, the Ministry will conduct a risk assessment.
29. Assurance systems for volumetric accuracy We recommend that the Alberta Energy and Utilities Board explore ways to strengthen controls for verifying the accuracy and completeness of oil and natural gas volumetric data and for enforcing measurement standards.	Accepted. The Alberta Energy and Utilities Board (EUB) will explore ways of improving controls for volumetric data accuracy by verifying roles and responsibilities with the Ministry and assessing the effectiveness of existing control systems. Effective January 1, 2006, enforcement of EUB measurement requirements will be in accordance with the recently updated Directive 019 *EUB Compliance Assurance - Enforcement.*
30. Liability Management for Suspension, Abandonment and Reclamation Activities We recommend that the Alberta Energy and Utilities Board improve its systems by monitoring the timeliness in which industry restores wells, facilities and pipelines to a safe and stable condition after permanent dismantling.	Accepted. The Alberta Energy and Utilities Board (EUB) intends to enhance its reporting capabilities respecting licence life cycle information to produce summary reports to track how long wells and facilities have been inactive. The EUB will also contact other government agencies to determine how their requirements effect industry decisions to retain inactive wells, facilities and pipelines. The EUB will initiate discussions with industry this fiscal year on this issue with a view to reducing the number of inactive licences.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Environment	
31. Financial security for land disturbances We recommend that the Ministry of Environment implement a system for obtaining sufficient financial security to ensure parties complete the conservation and reclamation activity that the Ministry regulates. (1998-1999 - No. 30)	Accepted. Progress is being made, however, the information gathering process is involved and complex due to the nature of the issues being addressed. It is anticipated that the stakeholder consultation process will be equally complex. The Ministry plans to continue to work with other ministries in developing a risk-focused asset to liability model to calculate the security needed in the mining and oil and gas sectors.
Finance	
32. ATB Lending policy compliance We again recommend that Alberta Treasury Branches ensure its lending officers comply with corporate lending policies. (2002-2003 - No. 15)	Accepted. Alberta Treasury Branches (ATB) has taken a number of steps this year to address this issue including initiating an in-depth lending policy review; benchmarking business lending policies and procedures to industry requirements; amending policy to industry standard on when business borrowers are required to report back to ATB; reviewing, adjusting and clarifying lenders' lending limits; applying technology to the process of authorizing loans; and implementing a checklist to ensure loan applications are correctly filled out in the branches. In addition, this area is a key focus in ATB's current business plan.
33. ATB Branch operations compliance We again recommend that Alberta Treasury Branches ensure branch processes comply with corporate policies and procedures. (1999-2000 - No. 49)	Accepted. Alberta Treasury Branches (ATB) has a comprehensive and wide-ranging strategy in place to address this issue as part of its current business plan. ATB has significantly reorganized its resources, including the creation of a new compliance team and placing renewed emphasis on training, to enable the implementation of the strategy. In addition, ATB is conducting an in-depth review of operational policies and procedures which is targeted for completion by November 2006.
Government Services	
34. Implementation of project management framework We recommend that the Ministry of Government Services implement the recommendations of the Office of the Chief Internal Auditor on improving the planning and monitoring processes for the Registry Renewal Initiative.	Accepted. The Ministry will prepare a renewed comprehensive Initiative Plan in 2006 that will identify critical milestones, cross-project influences, and measurable deliverables. The Ministry will provide more comprehensive reports to Ministry Executive, including information on expected deliverables, timelines, costs compared to plans, and reasons for and impact of significant variances.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
Infrastructure and Transportation	
35. Air Transportation program assessment We recommend that the Department of Infrastructure and Transportation complete and maintain a program assessment that includes an analysis of its aircraft fleet's use and an overall cost-benefit analysis of the program to ensure that program operations are aligned with program objectives, user needs, and use policies.	Accepted. The Ministry will complete a program assessment that includes an analysis of its aircraft fleet's use and an overall cost-benefit analysis of the program to ensure that program operations are aligned with program objective, user needs, and use policies in fiscal year 2005-06. Periodic reviews will be conducted.
36. Air Transportation public reporting We recommend that the Department of Infrastructure and Transportation publicly report fleet use details permitted to be disclosed by the *Freedom of Information and Privacy Act*.	Accepted. The Ministry has already made changes in this area and will be providing access to flight manifests to Albertans in fiscal year 2005-06.
Restructuring and Government Efficiency	
37. Performance measures We again recommend that the Ministry of Restructuring and Government Efficiency: • clearly define its performance measures and targets, and • develop systems to monitor and report results. (2001-2002 - No. 22, 2002-2003 - No. 20)	Accepted. Management will continue to improve performance measures and the associated performance measurement tracking and reporting systems. Work will be undertaken to ensure clear alignment between performance measures and the components of the business plan.

Expanding the Government's Consolidated Reporting Entity for Financial Statement Purposes

Financial Management Commission Recommendation

In the 2002 Financial Management Commission's report, *Moving from Good to Great*, the Commission recommended that:

"The Government should continue to work with the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants in the development of the government entity reporting proposal. Government-funded entities should be consolidated into the government's accounts and financial statements unless there is a compelling case why a specific entity should be excluded."

The government accepted the recommendation in principle, pending PSAB recommendations.

Public Sector Accounting Board Standards (PSAB)

In 2004, PSAB released a new accounting standard that requires "controlled" entities to be included in the government reporting entity effective April 1, 2005. Control is defined as "the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities".

Controlled entities may be included in consolidated financial statements on a modified equity basis until March 31, 2008 and on a line-by-line basis thereafter. Under the modified equity approach, the aggregated net assets and net income of these controlled entities are recorded in the consolidated financial statements instead of all the details required under line-by-line.

Current Status

To comply with the new PSAB standard, the government would have to include schools, universities, colleges, and health authorities (SUCH sector) in its consolidated financial statements, if it is determined that control exists. The government is currently reviewing whether control exists over any of the SUCH sector and the related technical issues (e.g., differing year ends). For SUCH sector entities, where control exists, information on a modified equity basis is planned to be included in the government's 2005-06 annual report.

INDEX OF CHARTS AND TABLES

Index of Charts and Tables

FISCAL PLAN

Fiscal Summary 42
Allocation of Surpluses 42
Balance Sheet Summary 43
Estimate of Assets, Liabilities and Net Assets 43
Revenue 44
2006-07 Revenue 45
Expense by Ministry 46
Expense by Function 46
2006-07 Expense by Ministry 47
2006-07 Expense by Function 47
2006-07 Expense by Function Details 48
2006-07 Expense by Object 49
Capital Plan 50
2006-09 Capital Plan 50
Capital Plan Funding Details 51
Capital Account 51
Capital Investment in Government-Owned Capital 52
Grants to Local Authorities for Capital Purposes and Other Capital Support 52
Capital Amortization for Government-Owned Capital 53
Comparison of the Capital Plan and Capital Expense 53
Sustainability Fund Details 54
Cash Adjustments 54
Retained Income of Funds and Agencies 55
Capital Investment Cash Requirements 55
Balance Sheet Details 56
Accumulated Debt 57
Capital Assets 57
Pension Obligations 57
Debt Servicing Costs 58
General Revenue Fund Term Debt Maturities 58
Net Financing Requirements 58
Loans and Advances 59
Guarantees 59
2006-07 Allocation of Lottery Fund Revenue 60
Full-Time Equivalent Employment 61
Premiums, Fees and Licences Changes 62
Major Provincial Tax Rates, 2006 63
Key Energy and Economic Assumptions 64
Sensitivities to Fiscal Year Assumptions, 2006-07 64
Historical Fiscal Summary, 1987-88 to 2008-09 65

CAPITAL PLAN

Interprovincial Comparison of Capital Expenditure 69
Province's Support for Capital Infrastructure 69
Comparison of 2005-08 and 2006-09 Capital Plans 70
Local Authorities and Government-Owned Capital 72
Capital Plan Summary by Function 73
Capital Plan Funding Sources 77
Capital Plan Details 78

ECONOMIC OUTLOOK

Key Energy and Economic Assumptions 87
Sensitivities to Fiscal Year Assumptions, 2006-07 88
Global Growth to Remain Strong 89
Steady Economic Growth in Canada 89
Canadian Job Growth Moderates 90
Inflation Contained Despite Higher Energy Prices 90
Interest Rates are Rising 91
Canadian Dollar Reaches a 14-Year High 91
Oil Prices Reach Record Levels 92
Natural Gas Prices Soar After Hurricanes 92
Strong Economic Growth to Continue in Alberta 93
Conventional Energy Sector Builds on Record Activity 93
Oil Sands Investment Surges in 2005 94
Non-Conventional Oil Production Takes Off 94
Housing Starts Reach 27-Year High 95
Alberta Construction Prices Increase 95
Strong Growth Leads to Highest Wages in Canada 96
Highest Disposable Income in Canada 96
Retail Sales Continue Growth 97
Border Reopens to Cattle But Crops Struggle 97
Alberta's Exports Continue to Increase 98
Alberta Continues to See Gains in Employment 98
Alberta - The Destination of Choice 99
Lowest Unemployment Rate in Two Decades 99
Oil Price Forecast Benchmark 100
Tracking the Forecasts of Oil Prices 100
Natural Gas Price Forecast Benchmark 101
Tracking the Forecasts of Natural Gas Prices 101
Canadian Short-Term Interest Rate Forecast Benchmark 102
Canadian Long-Term Interest Rate Forecast Benchmark 102
Canada/United States Exchange Rate Forecast Benchmark 103
Alberta Real Gross Domestic Product Forecast Benchmark 103
Announced Major Projects Over $100 Million 104

ALBERTA ADVANTAGE

Real GDP Per Capita 113
Real Economic Growth 113
Investment Per Capita 114
Unemployment Rate 114
Personal Income 114
Personal Disposable Income 114
Retail Sales Per Capita 115
Business Growth 115
Corporate Headquarters 115
Population 116
Net Interprovincial Migration 116
Performance of Students Aged 15 117
Population Aged 25-64 With Post-Secondary Education 117
Share of Population Under 40 117
Participation Rate 117
Employment to Population Ratio 118
Labour Productivity 118
Labour Record 118
Internet Use 118
Total Provincial Tax Load 119
Retail Sales Tax Rates 119
Combined Top Marginal Personal Income Tax Rates 120
Family Earning $30,000 120
Family Earning $60,000 120
Family Earning $100,000 120
Provincial General Corporate Income Tax Rates 121
Provincial Small Business Corporate Income Tax Rates 121
Gasoline Tax Rates 121
Alberta's Tax Advantage 121
Business Costs Index 122
Initial Investment Costs 122
Annual Labour Costs 123
Workers' Compensation Premiums 123
Investment Climate 123
Office Occupancy Costs 123
Gasoline Prices 124
Natural Gas Rates 124
Daily Living Price Index 124
Housing Affordability 124
Net Home Property Taxes 125
Life Expectancy 126
Quality of Life Index 126
Expenditure on Recreational Activities 127
Support for Performing Arts 127
Provincial Health Expenditure 127
Provincial and Local Education Expenditure 127

Government Surpluses (Deficits) 128
Government Net Financial Assets (Debt) 128
Alberta's Accumulated Debt 129
Credit Rating 129
Borrowing Costs 129
Fiscal Performance Index 129
Economic Freedom Index - Canada 130
Economic Freedom Index - North America 130

ALBERTA TAX ADVANTAGE

Alberta's Tax Advantage 133
Corporate Income Tax Cuts Since 2000 135
Income Thresholds for Health Care Insurance Premium Subsidies 135
Basic Personal and Spousal Amounts, 2006 136
2006 Distribution of Personal Income Tax Burden 136
Alberta Non-Refundable Tax Credit Block 137
Provincial Uniform School Property Tax Rates 138
How Basic Education is Funded 138
Distribution of Property Tax Revenues 138
2006-07 Tax Revenue 140
2006-07 Revenue from Tax Sources 141
Interprovincial Tax and Health Care Insurance Premium Comparison, 2006 142
Major Provincial Tax Rates, 2006 143
Top Marginal Personal Income Tax Rates, 2006 143
Net Property Tax for a Single Family Home, 2005 144

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